Vol. II

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1928 29

No. 612 19

ALEXANDER SPRUNT & SON, INC.; ANDERSON, CLAYTON & CO., HOUSTON COMPRESS COMPANY ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ARKANSAS COTTON TRADE ASSOCIATION ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF TEXAS

FILED DECEMBER 31, 1928

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INDEX

	Original	Print
Testimony of W. H. Stakelum	297	385
Henry Lampe	299	385
M. T. Sprague	300	286
E. R. Thornton	301	387
Narrative of proceedings before I. C. C. Nos. 14940, 13991, and 11965	301	387
Statement of examiner	301	387
Testimony of B. M. Bloomfield	302	388
J. T. Stockton, Jr	311	394
C. B. Fox	317	399

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., MARCH 11, 1929

		Original	Print
Testimony of	S. A. Dunlap	325	404
	E. P. Fowler	333	409
	W. C. Hunt	334	410
	T. E. Judkins	336	412
	F. R. Dalzell	343	417
	J. T. Stockton, Jr. (recalled)	387	453
	J. R. Aston	395	460
	J. V. Scott	399	463
	C. T. Schnell	415	478
	W. L. Clayton	421	482
	H. A. Ahlers	461	516
	F. R. Dalzell	464	518
	S. W. James	472	524
	O. J. Brown	475	526
	J. M. Smith	476	527
	C. A. Mitchell	481	531
	W. Scott Hammond	504	549
	C. P. Walker	508	554
	E. H. Lockenberg	513	559
	C. A. Stang	518	563
	J. T. Stockton, Jr	522	567
	C. A. Mitchell	523	567
	E. B. Gaines	525	569
	J. M. Locke	528	572
	H. W. Moorhouse	537	579
	Harry Williams	540	582
	T. M. Edwards	542	584
	J. J. Morrissey	556	594
	T. M. Edwards (recalled)	559	597
	W. D. Farris	564	601
	W. D. Haas	566	603
	S. E. Houston	574	608
	L. M. Shepardson	585	618
	George S. Pecot	587	620
	C. A. Mitchell (recalled)	599	633
	E. H. Lockenberger	604	637
	C. B. Bee	607	639
	J. L. Smithwick	612	645
	W. J. Jolley	613	645
	George E. Drewery	614	646
	W. S. Turner	619	650
	W. J. Neal	621	652
	R. Q. Lee	629	660
	G. S. Weitzenhoffer	629	661
	A. J. Stone	631	662
	I. M. Griffin	642	671
	H. M. Bennett	701	727
	F. J. Herbelin	711	735
	J. K. Moore	714	737
	E. H. Thornton	742	761

	Original	Print
Testimony of J. K. Moore (recalled)	757	774
E. H. Thornton (recalled)	757	774
H. B. Cummins	768	783
J. A. Bowden	803	813
S. G. Reed	806	815
W. B. Drake	844	844
E. A. O'Donnell	851	851
C. C. P. Rausch	854	853
J. A. Lynch	867	864
W. H. Stakelum	876	871
R. C. Fulbright	885	878
S. E. Walker	893	884
T. B. Keenan	905	895
S. M. Blok	910	898
H. A. Ahlers	914	902
C. B. Fox	916	904
B. N. Graham	919	907
J. V. Scott (recalled)	920	908
D. Sumners	920	908
F. D. Dalzell (recalled)	925	913
E. H. Lockenberg (recalled)	934	921
S. E. Walker (recalled)	938	924
J. V. Scott (recalled)	938	924
J. T. Stockton, Jr	941	926
J. K. Moore (recalled)	942	927
Stipulation re statement of evidence	950	933
Order approving statement of evidence	952	934
Clerk's certificate (omitted in printing)	953	
Statement of points to be relied upon and stipulation as to printing record	954	935

WITNESS W. H. STAKELUM

I am Assistant General Freight Agent, Southern Pacific Lines in Louisiana. I endorse the testimony of Mr. Curley and Mr. Webb with reference to methods of handling at New Orleans, insofar as the application of the rates on domestic and export cotton are concerned. If any evidence of exportation is shown, the export rates are protected. If domestic delivery is made, the domestic rate is assessed. Our rates are applied to depot. Under our terminal tariff, we will switch cotton to the different warehouses in New Orleans, but if there is any evidence showing that this cotton is going for export the export rates are protected. If it is domestic or for storage or for any domestic purpose, the domestic rate is assessed. If the export rate is assessed, we have to deliver the cotton to shipside, if we have already delivered it and switched it for domestic movement and if later it is sold for export and exported, we would not assess an export rate unless a concentration claim were filed. I should say that the percentage of our total movement on [fol. 298] which we changed the rate from domestic to the export rate is comparatively small (R. 897). I think that Mr. Curley's estimate of the amount of cotton moving in [fol. 299] on local bills-of-lading from Louisiana points, 75 per cent, is possibly correct (R. 898).

WITNESS HENRY LAMPE

I am Assistant Manager of Harris, Irby & Vose, at New Orleans. I have been in the cotton business fifteen years, in buying and selling. From my experience, I consider 18¢ a bale a big factor in the profit for the exporter in the legitimate business. I am directly in touch with the selling of cotton in foreign markets. I handled that business for the account of Harris, Irby & Vose (R. 899). I receive cablegrams from our agents in Europe giving quotations of our competitors. I find that Anderson, Clayton & Company are our principal competitors; they are the lowest competitors in the foreign market, more so than any other large firm.

Cross-examination:

We have small firms that are also competing in the foreign market. Sometimes we find that a small firm will be the low bidder (R. 900). We seldom compete with McFadden or find them in line with us; we are usually lower. We find that Anderson, Clayton & Company are the lowest bidders in most cases. I do not have with me information about the price, the terms, the place, etc. showing a comparison between the offers of Anderson, Clayton & Company and of Harris, Irby & Vose on the same day; but I could get it without searching very long (R. 901). If our firm is placed at a disadvantage of 18¢ a bale and has to continue through the season's business at that disadvantage, we would be damaged to that extent due to the fact that [fol. 300] we are meeting competition.

WITNESS M. T. SPRAGUE

I am Commercial Secretary of the Chamber of Commerce of Mobile (R. 903). Mobile is not directly concerned as to whether this allowance should be granted or not, but we are concerned in that if it should be granted we want Mobile placed on a parity. At present we do not do a very large business of export cotton through the territory West of the Mississippi. In Louisiana and Texas we don't have any chance at all. In Oklahoma we are working for business right now through the I. C. C. In Arkansas and Missouri we get an equalization with New Orleans right now. In the territory around Memphis, along in Mississippi, our rates are equal, and in the Southeastern territory our rates are 5¢ less than New Orleans. If New Orleans is permitted to absorb this freight, it places Mobile on a parity with New Orleans as far as the Southeastern territory is concerned, when we ought to have a 5¢ advantage, the rates being 5¢ lower. On cotton shipments originating in Mississippi and up as far as Memphis, we now have an equalization of rates; it amounts to a differential of 5¢ in favor of New Orleans if they are granted that privilege. In the Texas territory it does not make so much difference but in (R. 904) the Oklahoma territory we have to reach and in the Arkansas territory we have some points now which are equalized.

Therefore, if the privilege is granted at New Orleans, it should be granted at Mobile, because we are competitors in certain territory. We have no water-front warehouses at Mobile. There are two high density compresses and one standard compress at Mobile, all situated back from the water-front (R. 905).

[fol. 301] WITNESS E. R. THORNTON

In regard to the 22¢ drayage allowance at Galveston, over a year ago I took up with the Galveston line (R. 906) this question and told them they had our permission to reduce the allowance to 20¢ per bale. We of Galveston are perfectly willing to make that reduction if the cost of draying was reduced to 20¢ a bale.

Cross-examination:

I do not know of any cotton shipper that put in a claim for 22¢ a bale drayage when it actually cost him less than 22¢ to perform the service. That would be wrong and should be corrected. In my opinion the tariff requires that the shipper present the drayage receipt covering the actual cost of drayage. I do not know of anybody that gets the benefit of the allowance. I think the railroads can stop it under the present tariff.

Narrative of the Proceedings Before the Interstate Commerce Commission, Docket 14940, Application of Rate on Cotton to Gulf Port; Docket 13991, Weatherford, Crump & Company versus Abilene & Southern Railway Company et al.; Docket 11965, Galveston Commercial Association et al. versus Alabama and Vicksburgh Railway Company et al., at Houston, Texas, April 26th, 1928

STATEMENT OF EXAMINER

Examiner Money: It is my understanding briefly that these proceedings have been reopened to inquire what services are accorded and what charges, payments or allowances are made by carriers in connection with the handling of

cotton at interior points, including the payment for compression, whether any such services, charges, payments or allowance result or may result in unjust discrimination or undue prejudice or preference or otherwise violate any of the provisions of the Interstate Commerce Act, and what changes if any, should be made in such services, charges, [fol. 302] payments or allowances and whether the findings in these proceedings shall be extended to any port in Texas, Louisiana or Alabama, other than the ports specified in the original order of the investigation, and to determine whether conditions exist at this time which were not fully developed during the previous hearing, or whether any changes have since taken place that would justify any modification of the finding of the Commission in rates on cotton to Gulf Ports, 100 I. C. C. 159 and the order entered in 14940 and 13991 and findings and the order of the Commission.

WITNESS B. M. BLOOMFIELD

I am connected with Lykes Brothers-Ripley Steamship Co. and with Daniel Ripley & Co. These Steamship Companies serve ports in Germany, Holland, Spain, France, Belgium and the far East, West Indies, and Hayti. I am [fol. 303] General Manager and Vice-President of these companies. My Line handles about 25 per cent. of the export from Houston. I have been in the present position three years (R. 935). The Lines I represent receive cargo in one berth at the Long Reach Docks and the Ship Channel Company's warehouses in Houston; we do not shift our ships at either facility. They are not shifted by anyone else. There has not been shifting of our ships during the past season or the present season. I would know if there had been. Our Company does not sign for cotton all over the premises of the Houston Compress Company or the Long Reach facility. (R. 937.) The cotton must be in a berth that is allocated to us on our platform by the Houston Compress Company before we sign for it. It must be in a covered shed in the ship's space, which is entirely separate from the warehouse. I would say that the space in which we assemble cargoes is about 60 or 66 feet by 360 or 400 feet. The 400 feet parallels the ship. We did

not sign for cotton within the warehouse, and have not been asked to do so recently at all events. We have not paid for handling the cotton from the warehouse to our ship. The operators of the Houston Compress Company put the cotton in the berthing space.

Cross-examination:

On cotton that is delivered to the Lykes-Ripley Steamship Co. at the municipal wharfs at Houston, we receipt for that cotton in the warehouse in the pier that the Port Commission assigns to us. (R. 939.) We would term a warehouse a covered shed on the pier. There is a warehouse attached to the piers; we receipt for cotton delivered to our Company in that warehouse. We require that the cargo be within 200 feet of the ship's tackle, if it is cotton; on general cargo we require 150 feet. That is the general practice at Houston and Galveston. (R. 940.) It occasionally happens that when cargo is scarce and the ship needs cargo, that one of our vessels will call at the Long Reach warehouse for cotton and have delivered to it a certain portion of cotton and then have to shift the vessel to Alexander, Sprunt & Son or to the Municipal Warehouse [fol. 304] of Houston and then come back to the same Long Reach warehouses for additional cotton. It is the general practice to shift the vessel from the Long Reach plant of the Houston Compress Company to Alexander Sprunt & Son's shipside warehouse for cotton. We receipt for cotton inside of what is termed the shipside warehouse of Alexander, Sprunt & Son, in the space controlled by the steamship agent. (R. 941.) The Houston Compress Company assigns us the berth space in advance of the arrival of the vessel. The Houston Compress Company also solicits and handles other export commodities through the same warehouse. I believe our Company handles about as much flour as any other steamship company operating out of Texas ports. We might receipt for flour inside the Houston Compress plant; I don't think we do, but it could be arranged. If it were within 150 feet of the ship, I see no reason why it could not be receipted for there. With respect to flour, I would say that it would not be necessary that it be placed in the space assigned that steamship agent before it was receipted for. (R. 942). As long as it was

alongside the water front and did not cost us anything extra to truck it to the ship, it would be allright with us. The difference between cotton and flour is due to the fact that the Liverpool Cotton Conference Bill-of-Lading Committee, which exercises very rigid supervision over cotton bills-of-lading, requires steamship agents to sign an agreement that they will not handle cotton by signing bills-of-lading for it unless it is within the space controlled by a steamship agent alongside the ship. The Houston Compress Company determines what space shall be in our control; they allocate it to us. (R. 943.) The Liverpool Bill-of-Lading Conference has never questioned a bill-of-lading issued by the steamship company for cotton delivered to us in the warehouses controlled by the City of Houston at the Municipal piers. If the Houston Compress Company should allocate to us a certain place within the warehouse [fol. 305] within 200 feet of the ship, I know of no reason why our company would not receipt for cotton in that particular space. Shifting means taking a vessel from one point to another point within the same harbor; on rare occasions we have had vessels which shifted in the harbor of Houston as many as five times; I dare say that has occurred during the past shipping season. Our company handles some import cargo for delivery through this same Long Reach plant. (R. 944.) The steamship company will unload that cargo from the ship and deliver it within this warehouse at the ship's cost, trucking it just as short a distance as possible. In most instances it is put on cars alongside ship at the plant. On some commodities, imported ties, for instance, we would truck it 150 feet from the ship at the ship's cost. (R. 945.) Since the finding of the Commission that delivery to waterfront warehouses or compresses is not delivery at shipside, but that it must be handtrucked at Houston and hand-trucked or drayed at Galveston after merchandising and compressing, this change has taken place to my knowledge, two or possibly three years ago we used to receipt for cotton at the Long Reach plant further away from the ships than we do now. We never have any contention with Anderson & Clayton about whether cotton is within 200 feet of the ship's tackle. I do not know what brought about the change that occurred two years ago (R. 947). 200 feet of the ship's tackle

means within 200 feet of the shipside; if the cargo is not in that distance, the stevedore would want more money for handling which the ship would pay. (R. 948.)

If a vessel picks up 2000 bales at the Long Reach plant and then shifts to Alexander, Sprunt's shipside warehouse [fol. 306] and picks up 2000 bales, when it is brought back to the Long Reach plant, it is not necessary that it be assigned the same identical berth that it had before it went to Alexander, Sprunt & Son (R. 949). By the term warehouse, the steamship man means any covered pier at which the ship might tie up (R. 950). The steamship agent must [fol. 307] accept cotton within 200 feet of the ship, reserving our rights in connection with taking it in an uncovered space. I am familiar with the warehouse of Weatherford, Crump & Company; there is a special arrangement whereby the steamship agent will accept cotton at a particular part of that warehouse and then later the cotton will be transported closer to the ship. The space on the dock is not enough to accommodate all the cargo and they give it to us in an adjoining warehouse right back of the pier. We receipt for the cotton in that warehouse back of the pier (R. 951). The operator of the pier, which is Weatherford, Crump & Company, trucks the cotton from that warehouse to the ship at their expense, delivering it within 200 feet of the ship. Alexander, Sprunt & Son's warehouse is more that 200 feet wide, I should say. It might be a little wider.

If the Houston Compress Company wanted us to, we would receive cotton 200 feet back from the ship side in the Long Reach plant and load it from there on board the ship at our own expense. Since the space allotted to us is about 60 feet in width, we would take it 140 feet further back than that space (R. 953). We would take it 500 feet back if some one would pay us the cost of extra trucking over 200 feet (R. 954). When the cargo is more than 200 feet away from the ship, it is customary to pay the laborers 5¢ a bale straight time for handling it. Somebody who put the cargo there by special agreement pays that charge; we would pay it in the first case and bill the people for whom we perform that service; (R. 955) we would collect that 5¢ from the shipper, and we would make no allowance for the trucking 200 feet from the shipside which we held ourselves out to perform. For over-time after hours the cost would be

7½¢ a bale. There are two berths at the Weatherford, Crump facility; the cotton is put within reach of the ship's tackle, within 200 feet, at the expense of the people that [fol. 308] operate the warehouse (R. 956). I think we could store 2000 or 3000 bales for cargo at the pier proper at one of those berths. If we only had a sufficient amount of cotton that could be stored on the pier, we would require that it be placed there. If there was more than could be placed upon the pier proper, we would sign a receipt for some which was not on the pier proper but in that part of the warehouse which had been assigned to us. A part of that part of the warehouse might be within 200 feet of the ship's tackle; I do not know the measurements. When it moves out of that warehouse onto the pier, it would be done by the operators of the port, it being their duty to put it on the pier. The Port Commission assigns a dock to us, a covered warehouse, and we control that space. As shippers engage cargo with us, they have permission to put it in that space as long as we have space; that space is under our control. There is an apron there which is uncovered, I do not know its exact width (R. 958), maybe 20 or 30 feet. In order to assemble our cargo, it is necessary for us to have a certain space within the covered part which we call a warehouse. The space where our cargo is assembled while the berth is being used by the ship is absolutely controlled by us. The cargo is put within that space from another point at the expense of the owner of the goods. It is taken from within that space in the Municipal wharf and placed in the ship at the expense of the ship. At the Houston Compress Company, there is a part of their wharf which is uncovered and a part covered (R. 959). When the facility was first constructed, there was a much wider uncovered space. There has always been an open space there next to the ship. Adjoining that and as a part of the berth space, there is now a covered wharf space (R. 960). No part of the covered wharf space, to my knowledge, is used by the Houston Compress Company or by [fol. 309] the shippers of cotton as a warehouse. When that berth is assigned to our company adjacent to this covered space, the covered space is entirely within the control of our company. We require that the cargo be put within that space at the expense of the operator, the Com-

press Company or the shipper. If a part of the warehouse back of the covered wharf should be directly assigned to our Company and placed entirely within its control, our company would move cotton from that space to the ship without cost, provided it was within 200 feet; we would move it more than that by special arrangement; if it was 1000 feet, we might get more than 5¢ a bale (R. 961). To a steamship man, anything is a warehouse as long as it has a dock with a shed on it. In speaking of a warehouse as the place where the owner of the goods stores his goods, not where he delivers it to the ship, our company does not receipt for any cotton at any time which is within that warehouse space so defined (R. 962). I would not say that the cotton has to be within the space set aside as a delivery space under the control of the steamship; it could be 500 feet away from the ship, providing that space was controlled by the steamer and the arrangement made for its trucking at the expense of the other fellow. We would pay 20¢ a bale for the labor of putting cotton into the ship within 200 feet, over 200 feet we pay them 5¢ a bale more (R. 963). We would go back of the 60 feet assigned to us at the Houston Compress Company to the extent of 200 feet at our own expense and put cotton on the ship; we have not yet done so. The space would have to be within our control; it could not be controlled by the Houston Compress Company and cotton taken by us there and receipted for. The Compress Company would have to abandon the use of that part of its facility as a place for storing cotton for cotton owners (R. 965). There is a solid wall between the space that we have designated here as the covered warehouse and the warehouse as used by the Houston Compress Company. The steamship requires that the cotton be placed within the most available part of the berth [fol. 310] if there is only a small part of the cargo; they would put it against the side of the warehouse that is closest to the ship for their own purposes, because they might have more cargo coming in later and they would not want it in their way (R. 966). I refer to that part of the warehouse which is covered and where we only receive cotton. I understand that the warehouse at Weatherford-Crump Company is owned by the Navigation Commission, which designates that portion of the warehouse where we receive the cotton as being our warehouse.

Tariff No. 7, "Stevedoring rates at all Texas Ports," issued by the Master Stevedor- Association of Texas, effective October 1st, 1925, approved by the Maritime Association, on Page 1, Item 9, we find: "Extra truck-ge will be charged at actual cost on all commodities as follows: general cargo, over 150 feet; cotton, over 200 feet, from hatch." That rule applies at Anderson, Clayton's Long Reach Warehouse, Alexander Sprunt & Son's Ship Warehouse, and all other shipside warehouses or piers or docks at Galveston, Houston and all other Texas ports (R. 968). You could store four, five, or six thousand bales in this space 66 feet wide and 300 feet long, I think. If only five thousand bales, and Mr. Clayton wanted to deliver another thousand bales just 30 feet beyond, say 230 feet from the ship, we would take the cotton and deliver it to the ship if it was in space controlled by us. We would bill Anderson, Clayton & Company for trucking the extra 30 feet five cents a bale (R. 969). We would bill it whether it cost that much or not. I do not recall collecting any items of that kind from Anderson, Clayton & Company. We are free to accept traffic at any place within the Municipal Warehouse. The Houston Compress Company really controls the limitation of the space allotted to us at the Long Reach [fol. 311] plant. That is also true of Alexander Sprunt & Son's Warehouse on the ship channel (R. 970). They could change it from day to day, if we had no cargo in there, but could not if we had cargo there or going there. They would not do it without notifying us. We would not object to their increasing the space; we are not allotted the same space in that pier all the time (R. 971).

WITNESS J. T. STOCKTON, JR.

I am manager of the Dock & Warehouse Department of the Houston Compress Company; I have a blue print which shows in general outline the Long Reach Plant of the Houston Compress Company, including the warehouses and wharf facilities. It is offered as Exhibit "A"-33. Beginning at the water's edge, the broken line is the United States harbor line. The distance from the water's edge to the heavy white line, which we term the dead line, which

separates the steamship berth from the warehouse storage compartment is 90 feet (R. 972). The distance from the dead line through and across the present room, Sections 1 to 10 inclusive, is 150 feet. The receiving platform is 67 feet wide; it is adjacent to Sections 1 to 10 inclusive marked as warehouse. There is another warehouse 68 feet wide separated by track No. 2. Track No. 1 serves the berth allocated to the steamship companies and is on our 20 foot apron, or uncovered platform. Track No. 2 serves the warehouse proper (973) where cotton is received from the interior by Anderson, Clayton & Co., or people who concentrate with them and is unloaded on this platform, weighed and other services performed to it for compression. Track No. 3 serves the warehouse for the same purpose as Track No. 2 serves the other warehouse. The dotted lines on either side of the heavy white line which [fol. 312] represents the dead line, are the trolley lines serving the shipside; all dotted lines are trolley lines. The [fol. 313] trolley is an overhead electrical conveyor system used for the handling of cotton from the warehouse or from cars to ship-berth; the usual method is for the cotton to be placed on the trolley, trollied around the platform into the ship's berth, unloaded therefrom and trucked into the space allocated for it by the ship clerk. The heavy white line termed the "dead line" is a two foot wall (R. 974). There is one door to each one of the sections, every 150 feet, and there is a door from the compartment in the large warehouse to the wharfhouse. The door in Compartment No. 4 is in the center of No. 4, 75 feet from each side, and so on. They are fire-proof rolling double doors. The wharf space, 90 feet wide, marked berth No. 1 and Berth No. 4 is part covered and part open, 20 feet open and 70 feet covered. The trolley line occupies 4 feet of the covered 70, making the 66 feet which has been previously referred to (R. 975). The employees of the Houston Compress Co. operate the trolley all around. The Houston Compress employees take the cotton off the trolley when it is in one of the berths and put it at points in the berths designated by the ship's clerk. The ship's clerk designates what part of the berth's space shall be used for each bill-of-lading lot. A bill-of-lading lot of 100 bales with a certain mark would be trollied to the berth allocated to the ship for which the

cotton was intended, then taken off the trolley and placed in the berth at the point designated by the steamship clerk, and this operation continued until the whole 100 bales had been placed out. We would get a receipt from the steamship agent after the 100 bale lot had been put out and tally-checked by the steamship clerk (R. 976). The steamship agent will not give a receipt when a part of it is put out. The steamships handle also bagging, ties, burlap, news-print paper, human hair, any export or import commodity that is handled thru the Port of Houston. When these commodities are brought in by vessels, they are [fol. 314] usually deposited in the berth, the 70 foot place which is allocated to them. Sometimes, in order to speed up, they deliver the cargo on truck only to the dead-line with their men and from that point I take the truck with my labor and place it in the storage compartment. That refers to newsprint paper principally (R. 977). The steamship agent in no instance deliver- commodities to our warehouse. The same is true on outbound commodities. No cotton is taken by the steamship agent in the warehouse. The lower part of this blue print is the second-floor plan.

Cross-examination:

We handle flour for export on Track No. 1 from the car into the berth allocation, or truck it from cars into the ship. We do not unload any commodities, including cotton, moving direct to the vessel from Track No. 2 (R. 978). Cotton switched to us by McFadden for movement direct to the ship is handled on Track No. 1 in all cases this past season. Last season we had a special track for it, track No. 3, which is now removed. Track No. 3 was located between the receiving platform and a special platform built for the handling of transit cotton which is not shown. I am not familiar with the method of handling a bale of cotton in Warehouse opposite Berth No. 4 in Section 9 to be delivered to a steamship agent with his vessel docked opposite Berth No. 4. I am in the dock, and the warehouse department delivers it to me in the ship's berth. There are two separate and distinct departments of the Houston Compress Company. I do not know how it is handled (R. 979). I see the cotton coming off the trolley, but where it comes from or how it is put on the trolley, I am not familiar with. I do know that

the general practice is to deliver cotton on the trolleys. In one case out of five or six hundred, it might be trucked. That custom could not be changed over night (R. 980). It is possible to hand-truck cotton from Section 9 to Berth 4; it is for the warehouse people to elect to handle it on a trolley instead of on a hand-truck (R. 981).

[fol. 315] There were formerly tracks 1, 2, 3 and 4. What is now track # 2 was track #3 and what is now track #3 was track #4; #2 has been eliminated (R. 982). It is a fact that all cotton moving in on an export bill of lading direct to ship, aside from cotton from warehouse to ship, including cotton like McFadden's, will switch down here, and ship over our wharf is unloaded from track #1, even though a ship is working at the same time. We use that track during the height of the season; it is the only track we have available for unloading steamship cotton. The space in the warehouse that we set aside for the storage of general cargo is section- 7, 8, 9, and 10.

A car load of flour from Wichita, Kansas to be shipped to the West Indies via Lykes Brothers' Lines, arriving here ahead of the ship, would be unloaded either in berths 1, 2, 3, or 4, the covered portion of which has been allocated to that ship. It is never unloaded in sections 7, 8, 9 and 10 (R. 983).

During the height of shipping season, as a general rule, berths 1 to 4 inclusive are used mainly for cotton. We do not handle general cargo when the berth is crowded with cotton. We solicit all kinds of cargo for storage. We maintain a commodity storage warehouse in addition to a cotton storage warehouse. We solicit export flour but I reserve the option to take it when I want it and refuse when I don't want it. I would not store export flour; it would be put in ship's berth. It is their property. If Lykes Brothers had been assigned to berth #1 and had it full of cotton for Trans-Atlantic ships, and the flour came down going to West Indies and we had no room in berth #1 (R. 984), the steamship office would ask me if I could handle it, I would tell him I was blocked, and he would send it to some other pier. I always notify the ship's agent when I am blocked. The wall referred to was an original construction of the warehouse; there are openings in the

[fol. 316] dead line through which they can handle merchandise.

The trolley line is a method for handling cotton and commodities from one part of warehouse to the other. I do not know whether it is a saving over trucking. Track #2 is the track that is used by the compress for the handling of their business (R. 985). Track #1 is used by my department for handling steamship cotton. The cotton is not delivered to me on trolley; the compress takes it on the trolley and blocks it shipside; then they notify me they have 100 bales; I go there and count the 100 bales and in turn transfer it to the steamship agent and he counts it. All I know is that they deliver it to me on the trolley. I do not know whether they take it up on receiving platform and compress it and send it right out or not; it is never sent out there for storage. If they had sold four or five thousand bales, they would not store it in there waiting for the ship, unless it was within 15 days of the arrival of the ship. If it was within 15 days, it would be stored there; it would be under bill of lading and in the ship's possession; the compress would not have anything to do with it. (R. 986.) They could pick it up on the receiving platform, compress it, and put it in storage; they do do that, but when it is put there, it is for ship's position. I unload outbound cars from the railroads, and use the trolley for that purpose, transporting the cotton to the car. Then we unload the trolley and load the cotton into the car. (R. 987.) In loading a car to be switched to the municipal docks, I presume that we would utilize the trolley to transport the cotton from the storage space to the car, but I am not familiar with the operations of the compress. It is possible to load a dray at the Houston Compress Long Reach plant. I presume that they would use the trolley in loading cotton out of storage to a dray but it is only hearsay. We permit 15 days free storage in cotton destined to our facilities; there is no additional 15 days waiting for a ship. The Board rules allow a shipper 15 days in advance of the arrival of the ship to concentrate his cotton on the shipping berth. (R. 988.) [fol. 317] The dock department tariff provides for 15 days free storage without stating the purpose. A shipment of cotton which might constitute more or less a cargo being held 15 days for Anderson Clayton would go into one of

those berth spaces. There is a wall with about 20 doors to each berth at the front of the berth spaces. We have put a roof over berths 1, 2, 3 and 4, and while that may be called part of the warehouse it is strictly under the supervision of the ships. I have been with the Long Reach Plant about three years. (R. 989.) The ships do not tell me what I can or cannot put in berths 1, 2, 3 and 4, but they do tell me where to put it when I want to put it in there. We cannot change that unless we store cotton in that berth for the ship, we cannot change it unless at our expense. Berths 1, 2, 3, and 4 are ship's berths and have never been used for storage; the ships do not own it, but if we once make it a ship's berth we cannot take it away from them if they have cotton in it. (R. 990.) When there are two steamers in the dock one lying abreast is not working from the warehouse proper; it is waiting its turn to get into the berth. It may have arrived earlier than was intended. Between the dead line and the waterfront is my jurisdiction. The Compress has nothing to do with it. Their men cannot come in there and touch a thing. They have got to come and see me. It is possible to use a berth for storage and at the same time use it as a berth for the steamer, but we would have to move that cotton out in order to take care of the cotton that the ship was sending to us. The allocation to the steamship gives them the exclusive right of position during the time it exists. The duration of the allocation is anywhere from one day to a week, depending on the amount of business the ship has. (R. 992.)

WITNESS C. B. FOX

I am Manager of United Gulf Steamship Company and [fol. 318] Manager of S. Sgitovitch & Co., Steamship Operators, operating to all of the United Kingdom, the Mediterranean Ports, Italy, Egypt, and the Far East. I have been in the steamship business at Houston six years, and I am familiar with the wharves and docks and places where [fol. 319] vessels take their cargo. I am familiar particularly with the situation at the so called Houston Compress Docks and also at the docks at the Weatherford & Crump

Co. (R. 993). Our vessels take cargo at berth 2 of the Houston Compress Company, which has been permanently assigned to us for quite a long while; we take approximately 95% of our cargo at that place, having an office and telephone there. In the last two years we have not taken cargo beyond the dead line indicated on Mr. Stocton's exhibit in that portion of the warehouse numbering 1 to 10. We take cargo only in that portion between the dead line and the water front, which is 90 feet wide. (R. 994.) We do not sign for outbound cargo unless it is in the ship's loading berth, between the dead line and the water front. The distance is 70 feet wide and 400 feet long. We do not make a practice of shifting our vessels from one berth to another; we have done it once since I have been there, last year sometime. The Compress Company paid us the cost of moving it. I would know if we had shifted it other times, because I gave the orders that moved the ship. (R. 995.) Our ship employees do not go inside the warehouse through the doors in the wall to take cargo.

Cross-examination:

We discontinued the practice of going beyond the dead line because the Houston Compress Co. constructed this new shipside facility which I call a ship's loading berth and officially designated it as a place to receive cotton for steamers. It is our instructions that we do not go beyond the main wall separating this new place from the old warehouse. Before that there was not anything but a runway between (R. 996) the aprons and the main warehouse. The runways, I think, were about 75 feet apart. All steamship [fol. 320] cotton was then delivered on the way side trolley system in the warehouse, which is the space about 40 feet wide, the trolley was the dead line for steamship cotton and separating the warehouse cotton.

If one of our ships was berthed at #4, we could go from there to Alexander Sprunt's for cotton if we had enough to go for. If we had enough to go back to Anderson Clayton's and had the time we would do that. When we return, we might be put in berth 1, or berth 2, or berth 3. We have berth 2 practically all the time (R. 997). It is 66 feet wide, leaving out the trolley space, and 400 feet long; its capacity is about 4,500 bales of cotton. We frequently have

vessels that load more than that. Over 50% of the cargo we get here is delivered the last two days the vessel is in berth, so we are able to keep up with it most of the time (R. 998). All booking contracts are considered to be preformed when tender is made at the ships berth and within 200 feet; but the berths are not always 200 feet wide. For instance, pier 8, at the municipal dock, is only 120 feet wide. If the Compress Company at berth #2 saw fit to put some of our cotton in compartment #3 within 200 feet of our ship, we would have a right to decline it, because it would not be in the berth, and we would not accept it. They never declare that to be the berth; although it could be done. The sole power of allocation is with the Houston Compress. They could put the cotton in #3, if it is not within 300 feet of the ship side declare that to be a part of the berth and demand that we receipt for it; they would have to declare it a part of the berty at first however. They would probably notify me verbally first, then in writing, and clean out the space; I would have the right to supervise it, have it watched, and go in there Sunday and holidays, and load it at my convenience. I would have to have notification in writing because of insurance regulations and other responsibilities. Our liability as an ocean-carrier is fixed [fol. 321] when we receive it (R. 1000). Under those conditions we cannot decline to receive it. We pay the Compress Company $50.00 per ship shed hire and ½¢ per gross registered ton per day for docking privileges. The shed-hire covers 15 days (R. 1001). We pay shed-hire as long as we have any cotton there. If we have no cotton there and no ship, the Compress Company is free to allocate the space to another ship of another line, and that is done. We have a home berth regularly at pier #8 of the city docks. We shift from that to a private dock to get cargo and from one private dock to another; the most we have ever shifted here has been three time (R. 1002). We will shift to meet conditions when cargo is scarce and competition keen. I would shift a good many times right now. The size of our home docks is 120 feet by 400 feet. It will hold about five or six thousand bales of cotton. The 200 foot rule is the result of the contract between the long-shoremen and the ship for the trucking of the cotton. So far as the con-

tract with the shipper is concerned, we require the cotton to be placed in the ship's loading berth and the 200 foot rule has nothing to do with it (R. 1003). The length of the trucking varies with conditions. If the aft end of a ship was on the North end of the dock and the aft hatch was completely loaded and I still had cotton, it is possible (R. 1004) that it would have to be trucked to the forward end of the ship, and in some cases it would be three or four hundred feet distance, and I would have to pay 5¢ a bale extra trucking on it. Also if the wharf clerks are careless and do not get the cotton spotted correctly, we have extra trucking expense. We load usually to two ports and for that reason we know beforehand where we are going to put the cotton and we spot the cotton for Manchester at one place and for Liverpool at another and Genoa and Naples the same way. Some ships load by the stern and some by the head; we have both kinds of ships; they run from 409 feet to [fol. 322] 472 feet in length. Most of them fit in the berths there (R. 1005). The receiving clerks can designate and spot the cotton according to hatches that we want to load. We determine that before the ship gets to Houston, so as to prevent extra truckage. The practice at Alexander Sprunts warehouse is about the same as the Long Reach; they have a little more space. The docks will hold more cotton. There is a dead line, a wall 170 feet back from the water front. The apron at Sprunts is about 20 feet wide and the shed inside to the first track is about 150 feet. We take cotton in any space in that warehouse which is allot-ed to us; we do not take cotton from the other warehouses behind the railroad tracks. (R. 1006). They have a run-way which connects the two warehouses, and they can truck the cotton from one warehouse to the other. The practice at the piers serving Weatherford-Crump & Co. has changed a good deal in the last eight years. Originally, when Houston was short on dock space, before Sprunts and Long Reach were built, 7 and 8 were very busy piers; I don't think they will hold over 5,500 bales of high density cotton apiece. 7 and 8 are the north side docks that serve Weatherford Crump. The city owns the entire property, having it leased, and elected to exercise its option to take back and designate as wharf space any part they want to.

There is a place there that will hold about 3,500 bales of cotton. In those days we signed for cotton in that space known as side berth shed, it was afterwards trucked on the dock pier 8, when the Steamship Company called for it, but at all times it was under his supervision. We had our watchmen on it (R. 1007). We would receipt for cotton in the Gin Point Shed. We loaded it direct from Alexander Sprunt & Sons wharf into the ship; it is a little point connected right on to Sprunt's property and cut off from the main Magnolia property by the I. & G. N. R. R. tracks. It [fol. 323] belongs to the Magnolia Compress Co., but they have it leased to Sprunt. It is not used much now to deliver cotton to the Magnolia Cotton Compress Co. warehouses (R. 1008). We have not received any cotton at the [fol. 324] Turning Basin Compress in the past two years except on the wharf proper. Prior to that time the space marked compress in the rear of Wharf 8 on Exhibit A-34 was taken over by the city and used as space within which cotton could be delivered to the ships. I understand that they had another space in the compartment marked 'compress' but I am not sure about that back of #7. At the time of the former hearing in this case, it was the practice of the steamship agents to receive cotton in the space marked "Press" back of the wharves (R. 1009). We never [fol. 325] stood the expense of taking cotton from the compartment marked "press" to the railroad. That had to be done by the Compress Company. So far as our handling cotton is concerned, the berth has always been the space on wharfs 7 and 8. No part of the berth space on the wharf proper is used by the Turning Basin Compress company or by shippers for storage. That is also true as to the portion of the Ship Channel Compress known as Sprunt's Compress and as to the part which is designated as our berth, I am reasonably sure (R. 1010). Other vessels use wharfs 7 and 8 shown on Aston's Exhibit A-34 besides ours; Pier No. 7 is allocated to the Harrison-Leyland Lines. Any steamship line can go in there when it does not interfere with us, and they do go in there and lift parcel lots. The tariffs permit 15 days' free storage in Warehouses 7 and 8.

WITNESS S. A. DUNLAP

I am Local Manager of the Texas Transport & Terminal Company, Steamship Agents (R. 1011). I represent also the French Line, Creole Line, Holland-American Line, Head & Lord Line. They do a considerable portion of the cotton business in Port Houston. I have been here three years. We serve French ports, Belgium ports, Italian ports, Holland ports.

The 200 foot limit is only an agreement between the steamship agents and the labor loading cotton, having nothing whatever to do with the contracts which the steamship agents make with the shippers for the delivery of cotton. The longshoremen are paid extra for any cotton they are required to truck more than 200 feet. The contract between the steamship agents and the shippers specifies that the cotton is to be delivered to the ship's loading berth. It makes no reference whatever to the distance from the ship (R. 1012). The shipper might tender it to us within 200 feet of shipside, but unless it were within our loading berth we [fol. 326] would decline to accept it. We do not shift our ship at Long Reach from one berth to another to accommodate the shipper; on one or two occasions we have been required to move a ship out of berth on account of holding it there longer than we anticipated and the berth having been assigned to some other ship to follow us. In cases of that kind the Compress Company always pays the moving charges. As a practical matter during the cotton shipping season, it would not be possible to shift from one berth to another to accommodate the shipper, because the other berths are always assigned to and occupied by other ships (R. 1013). We do not get all of our Weatherford Crump and Company's cotton at Weatherford, Crump & Company's wharves; it frequently reaches us at other wharves. The same is true of Alexander Sprunt & Son's cotton and Anderson, Clayton & Company's cotton. We may get cotton from any one of those shippers at our Municipal wharves' allocation; we have on many occasions. It is a practice that cotton will be shipped out through one wharf that came from one of the so-called shipside warehouses (R. 1014) that did not serve that wharf.

Cross-examination:

The Long Reach Plant does not ship very much cotton from there to the other piers. All ships load at the Houston Compress Company's dock. They do load some out in cars and switch them. Anderson-Clayton have big contracts of several thousand bales at a time with the steamship agent (R. 1015). My berth is No. 1 at Anderson, Clay-
[fol. 327] ton's plant. Our contracts specifies it must be delivered to the ships' berth. Compartment No. 1 is not a shipside berth, and couldn't be designated as my berth. If it is within 200 feet of the ship's tackle there is an objection to it. We would not accept cotton there. They have to assign us to One, Two, Three or Four, known as ship's berth. If we are assigned to No. 1, and they have a shipment of five thousand bales of cotton in storage space No. 1, we would not accept or sign for the cotton there (R. 1016). The wall is the dead line; the rest of the warehouse is set aside as a warehouse by the Houston Compress Company. If they made it a general practice throughout the year and assigned a certain specific amount of room in those storage compartments for shipside space, it might be done, but for specific cases to take care of an extra large lot of cotton, I would not do it; I would not accept it in Storage Space No. 1, although it would be within 200 feet of the ship's tack-e, we would have no control over that space. My tariff does not say I will (R. 1017). The power to designate the space rests with Anderson, Clayton, and we accept their designation as Berth No. 1, but we would refuse to accept two feet beyond berth No. 1 unless they would make empty space there and set aside certain specific space which would be under my control. If it had our cotton in it and was under our control, we would not accept it unless it was a general practice and was given to us permanently as shipside space. We would not have to have that particular space permanently but equivalent space. I load boats three or four or five a month at the Houston Compress Company's Plant; in 95 or 96 per cent of the cases, I load them at one place (R. 1018). On the other occasions I accept their designations of a berth, because I may have two ships loading there at one time. I would not accept an assignment two feet

back of the dead line. We are responsible for that cotton [fol. 328] as soon as we accept it. My employees designate what proportion of the cotton shall be placed on one part of the berth and what proportion on another part (R. 1019). The Houston Compress Company loads it out there at their expense.

[fol. 329] In all cases before accept- cotton we check over the amount that is in the berth and have it in the berth. I represent several lines and have a good many ships; I have no connection with the firm represented by Mr. Bloomfield. Mr. Bloomfield's lines also have berth No. 1 (R. 1020). I imagine that ships of other lines also load there. We make application to the Houston Compress Company for a berth, and if Mr. Bloomfield's lines are in No. 1, we cannot get in there on the same day. We do the same thing on other docks. We do not take our turn; prior to the arrival of each ship we make application to the Compress Company for a berth on specific days. They assign us that berth for specific days (R. 1021). If we are assigned a dock for Tuesday, and it is raining on that day, the man who is assigned for Wednesday will probably wait until I get through. He would not take his regular turn and thereby cause me to drop back, except in extreme cases where he had to make a specific sailing on that day. It can be done in that way however (R. 1022). I will not say that it is done; and I will not say that it has not been done, because I do not know. My engagement contract calls for the delivery of my cotton alongside or at my loading berth; the latter is optional with us. For many years by common consent and usage, the distance of 200 feet has been treated as within the ship's tackle from a labor standpoint; from the standpoint of the contract between the shipper and the steamship agent, it has not (R. 1023). I have never heard of a specific instance of a carrier refusing to accept delivery of a cargo tendered within 200 feet of the vessel at or alongside of her loading berth; but I have refused to accept cotton within 200 feet of my loading berth, because it was not in the loading berth nor alongside. "Alongside" would mean loading from a barge into the vessel (R. 1024). My contract, the Texas Transport & Terminal Company, contains the following clause: "to be delivered alongside the vessel or at her loading berth not later than—" I use

[fol. 330] the engagement note, shown in Exhibit A-35, when I contract with a shipper for the ocean carriage of cotton, and I give it a contract number, dating it and thereby confirming the engagement which is usually verbal. I state the port from which it is to sail and describe the port of destination, fixing the rate of ocean carriage at per 100 pounds; the steamer is not named in all cases; sometimes I reserve the right to substitute steamers (R. 1025). I fix the time when the cotton is to be shipped from the interior. If we are occupying Berth No. 1, it is physically possible to receive cargo in Compartment 1, or 2, back in the warehouse. It has not been done in the last two years (R. 1026). I cannot say positively, but I do not think that other people do it. If the Houston Compress Company should set aside in Warehouse No. 1 so many feet, roping it off and designating it as part of our loading berth over which we would have control and in which we could put watchmen, and tendered us cotton in there, I do not think we could accept it without violating the Liverpool Bill-of-Lading Conference, which requires that cotton must be in our possession in the ship's loading berth before we will sign a bill of lading for it. The designation of a part of the berth would not meet their requirement unless made throughout the year and made a part of the tariff (R. 1027). They have not tendered us anything of that sort in the past two years and we have never had occasion to accept or reject it. A great deal of cotton is handled by barges to vessels at Houston If we were loading at one of these berths and cotton should be brought to our ship in a barge, we would take it alongside the vessel at the loading berth. We usually make application to the Houston Compress Co. for berth space about 15 days before arrival of the ship. They usually assign the space the same day or the next day (R. 1028). The time of our assignment might not begin until later, from which time we would exercise control over that [fol. 331] space. If the assignment is made on the first day, we would have the space until the time our ship was to leave. We always designate in our applications the day that our ship is going to arrive, the day she is going to sail, and the time that we want to begin receiving cargo into the berths, which may be before the ship arrives. Very often it is ten days before the ship arrives. If a ship of another

line is loading in Berth No. 1 at the time we make application and the other ship is due to leave four days before our ship arrives, that berth would probably be assigned to us. Very often happens that we have less than fifteen days before the arrival of the ship; very often we do need it and do not ask for that much. Half the time we only ask for four or five days before the ship arrives. We get all of Berth No. 1, 375 feet by 90 feet, but there may be some other ship assigned in there for a different loading, which would be receiving cargo at the same time. There might be cargo in that berth space for several ships, two or three, I don't think there would ever be more than that. Each ship owner policies its own lading and cargo (R. 1030). Our 15 days free time begins from the day on which we ask permission to receive the cargo. We do not reserve the entire berth during that time. There is very often cargo in that berth which is not intended for our vessel, and we do not in all cases have the privilege of the full berth space (R. 1031). We do not then make application for further berth space for the full assemblage of our cargo for the same ship. We would have the privilege of asking for portions of the warehouse not assigned to the ship's berth, so long as it was within 200 feet of the ship's tackle, but we probably would not get. They assign one berth to one ship. Our cargo would not be mixed up together in the berth with the cargo of another line; it would be segregated. Some of the lines customarily have sailings in one part of the month and other lines in other parts of the month (R. 1032). So that both lines could utilize the same berth space without much difficulty. Our [fol. 332] ships usually sail on the 12th day of the month, and are out three days before Mr. Bloomfield's first boat sails. Therefore, as a general proposition, there is no conflict. There is nothing peculiar to Houston in allowing more than one line to use a berth; it is done at all ports, at New Orleans particularly. It is done at all of the Municipal piers (R. 1033). I would not have the berth unless I had complete jurisdiction over it insofar as the compress is concerned. We use a dock at Galveston on which three or four different lines operating under our agency are also placed. We bring their cotton in there, have Havre cotton, Genoa cotton, Rotterdam cotton, Antwerp cotton, all

on the same dock. They allocate to us a dock space for our shipping firm. We operate it among our lines as our needs require, always with the wharf company's privilege of taking or putting other ships in there if they want to (R. 1034). The French line sails on the 12th; it is the only passenger line. None of my lines sail very often at Houston on the 15th; Lykes Brothers' lines usually sail on the 15th; we don't. It is a fact that the only fixed twelfth of the month sailing is the French line, and that is the exception. There is a watchman for each berth's pier, who is paid by the Maritime Association. We pay our watchman individually (R. 1035). We have to charge this watchman service as against each particular ship in our office; the Houston Compress Company pro-rates the watchman's service, and there is a charge per ship for watchman service. When we make allocation at the Houston Compress warehouse, we state an estimate of the amount of cotton that we desire space for (R. 1036). We base that figure on our booking and anticipated booking, plus that we hope to pick up. After they grant us space for a certain amount, we have never had any difficulty in getting it. We also have clerks, who are our own employees, looking after our ship's berth (R. 1037).

[fol. 333] WITNESS E. P. FOWLER

I am Local Manager for Fowler & McVitie, Agents for Larringa Line, Castle Line, Nervion Line, Norway, Mexico, Gulf Line, Swedish-American-Mexico Line, Trans Atlantic Line, Saint Line, and the Kawasaki-Rossevelt Line. They serve Liverpool, Manchester, Havre, Ghent, Antwerp, Barcelona, Scandinavian and Danish ports, Bremen and Hamburg, and the far East, Kove, Yokahoma, and Shanghai. Our home berth in Houston is No. 2, Municipal dock.

We sign for cotton when it is put in the berth, and at no other time. We do not shift from one berth to another at Long Beach (R. 1038). We have only one berth at the Municipal dock, No. 2; there is only one berth there. We never call at the Turning Basin. We do not shift at Sprunt's, and at none of these three plants do we sign for cotton until it is placed in our loading berth. Weatherford-Crump Com-

pany switch their cotton to whatever dock the ship may be loading at. They send the cotton from -heir own plant to dock other than their own plant to dock other than their own to reach our ship. We also receive Sprunt cotton at other than their own dock (R. 1039). We also receive Anderson, Clayton cotton at docks other than those of the Houston Compress, quite a bit of it. They invariably switch all the Barcelona cotton.

Cross-examination:

Two boats can berth at Alexander Sprunt's dock at one time; we have never had any trouble with crowding. I have been in the steamship business in Houston three years (R. 1040). The Houston Compress Company designates our loading berth, and we receive cotton wherever they designate (R. 1041). We receive cotton at one ship's berth, not all over the plant. The size and dimension of the berth is fixed by the Houston Compress Company; it is already built (R. 1042).

[fol. 334] WITNESS W. C. HUNT

My business is International Mercantile Marine; I am agent for Harrison, Leyland & Company, Ltd., the International Mercantile Marine, and T. J. Harrison of the Harrison Line. Our vessels serve any port in the United Kingdom; we do a considerable portion of the exporting business from Houston (R. 1043). I have not been down to Long Beach for two and a half years. I get business from the firsm that do storage business at the Houston Compress Company, I get it at my home berth, which is Dock No. 7. I go to Alexander, Sprunt & Sons' dock; I do not shift my ships there. I go to Weatherford, Crump's dock (R. 1044). I do not shift my ships there. I do not sign for cotton at either of those two compresses until it is delivered to the ship's loading berth; we are continually asked to do so, but we refuse. There have been occasions, when, due to lack of business, other ships have come in and used our facilities at Berth No. 7. I utilize other berths that are at times utilized by other lines. There is nothing peculiar about that situation that is different

from any other port that I know of (R. 1045). We formerly went to the Houston Compress pier, and when we did they assigned us a berth. They assigned us a space in the warehouse to assemble our cargo, marked off by walls. We received cotton there (R. 1046). I had nothing to do with choosing the space assigned to us. We took what they gave, and were sometimes very glad to get it. I don't know what goes on there now as I don't use that wharf. We carry some cotton for Anderson, Clayton; some goes to Liverpool, and we get that at Pier 7; it being delivered to us by cars. I should not say that it is a large proportion of the Anderson-Clayton movement to Liverpool (R. 1047). I do not know where it originates; it is their own cotton. We go to Alexander, Sprunt, and their wharf superintendent designates the berth. The apron is about 15 feet wide. We sign for cotton in the facility there, but we do not call it a warehouse. We draw no distinction between the apron and the [fol. 335] warehouse (R. 1048). Our demand is that they put it within 200 feet of our ship. We then take it aboard without cost to them. They designate our berth as in their warehouse, and that is a regular practice with us. Whether we move from Alexander, Sprunt to Weatherford, Crump depends on whether we get most of our cotton there and proceed to sea, or whether we go to Weatherford, Crump's and then to sea; that is what we call shifting from one dock to another. We do not go back. We make that compress our last loading berth and then to sea (R. 1049). The number of calls we make at private docks after we make the home berth depends on how badly we need cargo and what the quantities are. If it is worth going after, we go. We go to Galveston and pick up some, but not on every trip. We do not load our vessel at Houston in accordance with what has been engaged for Galveston (R. 1050). There is no fixed rule as to whether we load all at Galveston or all at Houston. That is controlled by the cargoes. I do not go to the Houston Compress here for the Anderson, Clayton cotton, because I am not one of the chosen few. I draw a distinction between that part of the facility which is considered a part of the berth at Weatherford, Crump's facility and is covered, and that part of the facility which is not a part of the berth but is a covered warehouse. I had in mind in speaking of the warehouse that part which is just

adjacent to our pier, dock No. 7 (R. 1051). We would not receipt for the cargo if it was not in that part of the facility which was adjacent to the wharf. If it was in the warehouse on the other side of the track from the water, we have refused continuously to receipt for it. We sign for cotton that is in the shed at the compress at Berth No. 7 at Weatherford, Crump's; the ship pays the cost of getting it from that point to the ship (R. 1052.) We don't sign for it anywhere except on our pier, Dock 7. On that pier we do not include cotton that is in that place marked compress. Berth No. 7 is 105 feet wide; there is a dividing wall between 7 and 8, and we sign for cotton anywhere in 7 (R. 1053). We [fol. 336] do not sign for it in the place marked "compress," nor in shed A; but I think that is practiced by some of the lines. It was never our practice. Our rates are published, and we are all in the Conference (R. 1054).

WITNESS T. E. JUDKINS

I am Local Manager for Wilkins & Diehl, Steamship Agents. We represent the North German Lloyd, The Ocean Line, and the Scandinavian American Line, and chartered steamers under the Texas Continental line. I have been in Houston in this business about three and a half years, and am familiar with the operation — the boats of those lines. Shifting from one berth to another at the same facility at Houston is not done. Our line does not shift from one berth to the other at the Turning Basin Compress Company (R. 1055). The same is true as to the other facilities. Our lines do shift from one facility to another facility for cotton; we usually make two shifts in the busy season, going to three berths. Our home berth is No. 12, the Municipal Pier; we receive cotton at that pier. We have received cotton at that pier which comes from the Houston Compress Company plant, also cotton which comes from the Weatherford, Crump plant. The same is true as to Alexander, Sprunt (R. 1056). As to shifting, Houston is not different from New Orleans. I know from hearsay that the lines at Galveston have less shifting than they do at Houston. Our line requires cotton to be placed at a given point in the berth when that berth has been assigned to us; the shipper pays for spot-

ting the cotton in that berth, I suppose. In the case of the Houston Compress Company, their operators would have to spot the cotton in that berth (R. 1057). We received cotton at Sprunt's which may come from the other plant. We have received cotton at the Houston Compress Company wharves which comes from the other places; that is not a general practice. Cotton that we receipt for at the [fol. 337] Turning Basin Press is in the ship's loading berth, either 7 or 8, whichever berth we might have. We make the same requirement as to the other facilities we serve (R. 1058).

Cross-examination:

The man that unloads the cars when they make deliveries to us has to pay the cost of making those deliveries. We have the right to designate the place or places within our berths that we want the cotton put. We try to do that with a view of keeping the steamer's lot together. (R. 1059.) The Houston Compress Company designates our berth there. We only receive traffic that is tendered at the place that is designated. When we have loaded our cotton, we go to some other place if we have reason to, but we do often set right there. If another ship wants the berth, we must move if we are not working. We have gone back a [fol. 338] second time to the Houston Compress; 99% of the time we would go back to the same berth. (R. 1060). That depends on the Houston Compress Company; but except for the last ship we sailed a few days ago we have never been outside of our particular berth; we would not object to any particular berth they might assign to us. Sometimes cotton might develop after we had left their berth, and they would switch it to us, if it was not convenient for us to come back. They would not ask us to come back again the second time. We have done so, and I would be very glad to be accommodating again (R. 1061). Anderson Clayton loading at Sprunt, and Sprunt sometimes loading over at Weatherford Crump, is usually due to the fact that they would not have a sufficient amount to justify the ships calling there. (R. 1062). The privately owned facilities or the publicly owned facilities can change the berths assigned to us from time to time as they see fit. That is true also at aGlveston. It is not a practice to

take certain cotton at the Long Reach Plant and then go to some other plant, and then come back; it is very much of an exception. Sometimes it occurs in August when the cotton is all late getting in, and all ships are trying to make a 15th sailing. The cotton coming up from the valley is always late, and all of it can not be accumulated; it has to go to their presses, and they might not have time in the last 24 hours to switch it over to where the boat is, and in order to get the boat away on time, and at the same time take care of the cargo, we might shift in there. For instance, last August we shifted into Galveston for 300 bales of cotton. (R. 1063). It is sometimes done for the convenience of the ship. It is more frequently done for the convenience of the ship, but is exceptional in any event. Other lines use the same berths that we use at Long Reach, and that is also true at the municipal docks. It is also true at other ports, and is a general practice. You could [fol. 339] not utilize your facilities unless you did that to the fullest extent. We have shifted at Houston recently for less than 500 bales. (R. 1064).

At the Houston Compress Company, two years ago, before they constructed additional facility, the practice was to assign the Steamship Companies berths in Sections 1, 2, 3, 4, 5 to 10, but designated as berths 1 to 4, and the Steamship Companies had the space from the trolley line to the wharf. The space, shown on Exhibit A-33 as 1, 2, 3, and 4, [fol. 340] was formerly a runway and it was opened on either side, and a waterway. They later housed that over and floored it off. The changed condition is that they have housed that over, and moved that space nearer shipside. (R. 1065). That is the only change I know of, except that this wall is on the back side of the ship's berth now. The wall was there before; it was the front of the warehouse before, and now they have made the front a little further out in front, and have used their former front as the back. The changed condition is that the space they formerly assigned to us has been moved nearer the ship, and divided by a wall. There has been no change in our practice and custom of picking up cotton, except that it has been improved, and has been made a little more economical for us. There has been no change in our obligation to pick up that cotton. (R. 1066). Prior to this changed condition,

we went back to what is the trolley line, shown as a dotted line, and picked up cotton. That was set aside as our space in those days. (R. 1067). The trolley is there and it goes right down to the floor, and the cotton goes back and forth all the time; you cannot pass it. The track is overhead, and the cotton is hooked on by a bale hook. You know where it is all right that the car would stop (R. 1068). The major portion of compartments 1 and 2 behind berth #1, are within 200 feet of the ship's berth. If Anderson & Clayton & Company, the Houston Compress Company, designates part of compartment 1 and 2 as part of our berth, which they do not do, I would not be bound to take the cotton there; I am not bound to take it anywhere only where I want it. My contract is for delivery in my loading berths, at or alongside. That is not my loading berth. My loading berth at Long Reach, in 99% of the cases, is #4. If they were to designate part of compartment 8 or 9 as part of our loading berth, it being within 200 feet of our vessel, I would not take the cotton there unless it was permanently set aside as a loading berth. By permanently, I [fol. 341] mean as a general practice. I use berth #4 more or less continuously; I cannot go there without his permission. He can tell me to come to berth #2 if it suits him better. We apply to them for loading space, and they designate berth #4 (R. 1070). If they should say in that designation that berth #4 and compartment 8 and 9 is assigned to me, and that my cargo is stored there, I would not accept it at the moment. I would probably consult my Lawyer. We have an office at berth #4 and a telephone. That is our headquarters as far as that facility is concerned. Before the intervening space between the warehouse and waterfront was built in, it was not possible to deliver any substantial quantity of cotton on the wharf proper (R. 1071). We had to have a covered space. The same wall is still there, and the intervening space between that building and the apron, or open wharf, has been built up and a covered wharf built there. The so-called warehouse on that wharf is the wharf of the warehouse and is the ships' loading berth now. Formerly there was not room at our berth to store our cotton (R. 1072), and we receipted for cotton in this space back to the trolley line, which was a berth then. It was made a berth by the Hous-

ton Compress Company with the consent of the Steamship Agent. I reserve the right to say that it is my berth. I was guided in my approval of it by the principal point that it must be space over which I could exercise control; the fact that it must be within 200 ft. so that we would not have to pay extra trucking would enter into consideration (R. 1073). If we told them we would go back 200 ft. and they set aside the 200 ft. they would not have any warehouse left.

If another steamship line is going to use the berth, they all have their own employees there to receive the cotton, and I know furthermore that Anderson Clayton & Company put into effect some two years ago, just to avoid using that shipside space for storage, a rule instructing all Steamship Lines not to sign bills of lading unless the release was on there signed by the Houston Compress Company, so they don't ask us to sign for a bill of (R. 1074) lading unless it is absolutely receipted for by the Houston Compress Company showing that it has been released. Ander- [fol. 342] son Clayton sent out a circular letter to all the Steamship Lines to that effect so far as their cotton was concerned. They did it as a protection for the Steamship Agents. If we had 1,000 bales of cotton in berth #4, and arrived there and found that the berth was full, I would know from general practice that it is Steamship's cotton. Our clerks are down there to look out after our cotton, and the other fellow would have his clerks there for the same reason (R. 1075). I know the Steamship space and I know that it absolutely set aside for steamship cotton. I believe anyway that the cotton there is steamship cotton. The Steamship Agents of the other lines have charge of that other part of the cotton at the same time. We know that other Steamship Companies are coming into berth at #4, because it is round house talk (R. 1076).

Under our contract with the Southern Pacific, it costs us the same to load a bale of *b*otton, whether it is trucked 200 feet or 40 feet to the ship (R. 1077). I understand that the vessels do not shift at Galveston. I was at Galveston before I came here. The Liverpool Conference requires that a Steamship Agent receipt for cotton, once it is within their loading berth and within their possession. If it were not for that conference agreement, we could receipt for it

farther back as has been done formerly. The conference rule was made in 1907, I understand. It has been in effect ever since. I would say that Anderson Clayton & Company notified us to discontinue the practice with respect to receipting for this cotton about two years ago. I don't remember now. I know it is a system they put in and it is for the protection of the Steamship Agents. I really don't know why it was done, but prior to that time, (R. 1078-A) we had not receipted for any cotton in the warehouse. There might have been some regulation of their own that they wanted to put in. Prior to that time, our loading berth was defined back to the trolley line, and that was within the warehouse, within the building that is now the warehouse. I think I made inquiries at that time as to why they asked us to do that. If I recall, it had something to do with insurance (R. 1078*B) I don't know anything about the insurance. All I know is that they put it wherever the berths might be before we would sign for it. It did [fol. 343] protect us in our berth (R. 1079). The Houston Compress Company could not release the cotton then; in other words, it forced the cotton into that particular berth and could not be delivered anywhere else and this receipt obtained.

WITNESS F. R. DALZELL

I am Traffic Manager of the Houston Cotton Exchange. Prior to the Fall of 1919, Houston was not a port. We did have a very large concentrating business here, but all of the cotton was shipped out of here to Galveston for loading on ships. At that time, there was peace between Houston and Galveston. In the Fall of 1919, a few ocean steamers started coming to Houston but our aspirations to become a port were not taken very seriously. In June, 1922, Weatherford Crump (R. 1080) filed a complaint with the Interstate Commerce Commission, I. C. C. #13,991, based on the fact that they were paying 83½¢ to shipside at Galveston, while their competitors were shipping export cotton fully prepared for exportation to shipside high density compresses at 80¢ at Galveston and paying no more to get it to ship. The chief aim of this complaint was to obtain reparation

on shipments already made. The record in that case shows that the one rate plan was suggested then by the complainant in Docket 13991 and was opposed by Mr. West representing the Dallas Cotton Exchange, Mr. Toombs of the Southern Products Company, Mr. Griffin of the MacFadden Agency and Mr. Thornton and myself. At the hearing, Counsel for Weatherford Crump & Company inadvisedly suggested the establishment of a one rate plan as being the rate equalizer that would make everybody happy. (R. 1081.) The following figures show the progress of the port of Houston in the export of cotton. The first season, 1919, 1920, the total exports amounted to 69,889 bales. The next season, 1920-21, 466,185 bales; the season 1921-1922, 478,141; season 1922-23, 718,942; the season 1923-24 1,065,612; the season 1924-25, 1,821,828 bales and so far this season, up to the present time, we have probably 1,500,000 bales and will exceed 2,000,000 bales before the season is over. When our export business here first opened up, the growth immediately was so great and the success of the business was such as to convince everyone that the exportation of cotton on vessels from Houston was not only possible, but was almost certain of permanency. Therefore, certain plans were developed for extending the cotton business in [fol. 344] Houston. Exhibit #6, introduced into Docket 13,991 by Mr. Booth, showed that for the season August 1st, 1921 to July 31st, 1922, cotton moved to shipside in Galveston on through bills of lading to the extent of 32% of the total movement. It showed also that cotton moved to shipside on local bills of lading to the extent of 23.6%. That means local bills of lading for shipside. That means there were 55.6% of Galveston's business that was shipped into Galveston from interior concentrating points, paying the export rate. Houston's export on the contrary, had been almost exclusively Houston concentration, or boiled down and stated clearly, the interior concentrator exports his cotton via Galveston, and only such cotton as is concentrated in Houston is exported from Houston. On March 15th, 1923, the Galveston Commercial (R. 1083) Ass'n., telegraphed and wrote to the Interstate Commerce Commission about the menace that had arisen in Houston. At the time the two rate plan stood approved and accepted in principle and the only deviation from it that was called for by the

complaint of Galveston was that the waterfront presses be especially penalized by being charged the waterfront rate, whereas the back of the waterfront presses were to be continued at the 80¢ rate (R. 1084). The decision which caused us to ask this rehearing prescribed a one rate plan for all cotton and for all warehouses, specifically refusing to make provisions for refund by carriers in all cases of the cost of handling from warehouse to ship, which was the condition under which Galveston agreed to (R. 1085) accept the one-rate plan. In the meantime the Houston concentration continued to grow and Houston's exports grew correspondingly and now Mr. Thornton applauds the one rate plan without the condition he showed necessary to balance the interior and waterfront concentrators. The decision which was intended to create equality between waterfront and back from the water front and the interior is found to be so damaging to the back of the water concentrators at the port that we were compelled to ask reconsideration of (R. 1086) the facts as they existed at the ports and also for a reconsideration of the relative situation of port concentrators vs. interior concentrators.

[fol. 345] In connection with whatever reference we may find it necessary to make to the situation of our interior competitors, we wish to make the statement that we go into these matters purely in self-defense. We have no wish or desire to take away from anyone anything that they may have, where it does not place us at an undue disadvantage. We do not care to play the part of reformer or regulator of the affairs of others. This investigation was started by complaint of Galveston backed up by the Dallas Cotton Exchange. It is not true that we are trying to destroy the cotton business of the entire state and force it all to be conducted at Houston. We endeavor first to show that conditions as they really exist in Houston give no just cause for complaint to Houston's competitors, and if the first order is vacated we do not ask for any change to be made elsewhere. Next we will endeavor to show that the one-rate plan with charges for second concentration which the first (R. 1087) decision approved would be disastrous to back from the waterfront concentrators and would place those under greater disadvantages as to the waterfront concentrators and under new disadvantages as to the interior

(R. 1088). Finally if we are not relieved from the disadvantages of the one rate plan, we will ask for equality by establishment of a charge for first concentration.

(Exhibit #A-36, dealing with the number of bales compressed in transit for the years 1923, 1924, and 1925, not concentrated and the number of bales concentrated for the same year, and the names of the compresses, was received in evidence.)

This investigation is the outgrowth of agitation on the part of the Galveston Commercial Association and Cotton Exchange which started with the telegram to the Interstate Commerce Commission on March 16, 1923, which stated that "several large cotton compresses are now constructed at shipside Port Houston, Texas, for the express purpose of defeating the application of the export rate."

In March, 1923, when the Galveston Commercial Association and the Galveston Cotton Exchange telegraphed to the Interstate Commerce Commission, there was in ex- [fol. 346] istence in Houston a compress and a warehouse so situated as to be within Galveston's definition of what constitutes a waterfront compress. This was called the Turning Basin Compress, and it had been in operation for two or three years and was in operation in October, 1922, at the time Docket 13991 was heard in which measures Messrs. Thornton, Toombs and West stoutly defended the properiety of and the necessity for the two rate plan. At that time only one plant was under construction, and during the time that Special Agent McCord and the Galveston Interstate made their investigation and during the first hearing of the case, its operations were of a makeshift character, due to the fact that it was only half finished. Vessels do not shift from one berth to another at Long Beach, and they never did. During the first season of the operation of this plant, the wharf, the space between the warehouse and the ship's berth, had not been finished, which [fol. 347] made it necessary (R. 1098) that a space within the warehouse proper be designated and set aside as space for delivering cotton to ships, but this expedient was made necessary by the uncompleted condition of the plant. At the conclusion of the shipping season of 1923, 1924 the work of filling in for the floor of this wharf and the construction

of the roof was finished, and by the beginning of the next season, August 1, 1924, the wharf being completed, delivery of cotton to ships thereafter were made only on the wharf and nowhere else. It is equally true that neither at the Turning Basin Compress nor at the Ship Channle Compress, both of which are called waterfront compresses, is there any cotton signed for by ship's agents in the warehouses under any such conditions as described on page 161 of the decision of the Interstate Commerce Commission, nor is there any cotton moved from warehouse to ship by employees of the vessel. Of all of the cotton handled in the Long Reach Plant this season, there was only seventy and twenty two hundredths per cent loaded on ships at Long Reach Wharves, and twenty nine and seventy eight hundreths per cent moved out of this plant in box cars and was loaded on shipboard at other wharves (R. 1099). That twenty nine and seventy eight hundredths per cent may have been out via their warehouse or out via rail out of Houston (R. 1100.) All of that cotton undoubtedly moved under transit arrangements. I am referring to the thirty per cent that moved out of the Long Reach Plant in box cars and went to mills, perhaps, in New England and reached the vessel at Galveston. If it went to some other wharf than the Long Reach Plant in Houston, it would probably move out on a switch rate, the expense from Long Reach to shipside equalling the difference between the 80¢ rate and the 83½¢ rate, and there would be no claim for refund of concentration, but it would, in fact, be a concentra-[fol. 348]tion shipment (R. 1102). It would all be set in box cars as distinguished from drays. That estimate includes all cotton, counting round bales at two for one. Some of this 30% that moves out of Long *B*each goes to the docks or wharves or other places in Houston. The Ship's Agent yesterday testified that every one of them got cotton that had been in the Long *B*each plant at warehouses other than Long Reach. I do not know how much of this 30% is that sort of movement (R. 1108.) The shipper would have had the privilege of declaring it for export and paying the 83½¢ rate from origin to shipside. We might do that. I do not think that that is done. The reason for the existence of the two rate plan is demonstrated there. The cost to this shipper in sending his cotton to Long Reach from another

wharf bridges the difference between the 80¢ and the 83½¢ and saves him the necessity for making claim for refund of that small amount, and saves the railroads the necessity of handling that claim, and expedites matters generally (R. 1104). Cotton moving to the other three facilities termed waterfront facilities for concentration and merchandizing goes out not only over the adjacent wharves but by rail to points in Texas and elsewhere. At the Ship Channel Compress, of the total amount of cotton handled in the plant, 72.52% was put on ships at the adjacent wharf, and 24.48% was moved out of the plant by box cars, drays or barges for landing on ships at other wharves; it may have gone to the Pacific Coast, or southeastern spinning points via rail. At the Turning Basin Compress, of the total business handled in that plant, there was 45% put on ship board at the adjacent wharf, and 57% moved out by box cars, drays, or barge, to be loaded on ships at other wharves, or to destinations reached by rail.

One other change of importance has taken place since Special Agent McCord made his investigation. He testified at page 70 of the record, that there was no relationship whatever between the Shipside Density Compresses at Galveston (R. 1105) and the Cotton Concentration Company. Within the last year or so, Mr. Steel has disposed of his interests, and it is my understanding now that these presses are owned by the same interests that own and control the [fol. 349] Cotton Concentration Company in Galvestion.

To show the fallacy of the impression that waterfront property is beyond the reach of anyone except the most prosperous and that those favored ones would have an unfair advantage over everyone else, the Clinton Compress and the Magnolia Compress are both located immediately on deep water, but the owners of these properties, have not been able to see enough advantages in loading ships at their own wharves to justify the expense of building a wharf. They were both in existence long before any of the present waterfront presses were constructed (R. 1106). They are among the leaders in the amount of business done in Houston.

The decision of the Interstate Commerce Commission states on page 167 that there are no strictly waterfront facilities at New Orleans. We do not conceded that the public

wharves at New Orleans are not in every (R. 1107) sense a water front facility to the same extent as we have water front facilities at Houston, but since the date of the original hearing, a new plant has been established at New Orleans, called the Alabo Compress Company, Inc., in which cotton is handled from warehouse to shipside by trolley, and in which conditions and operations as existing at the Houston water front are duplicated. At New Orleans there is now apparently the same competition between compresses as at Galveston, which really was the source of this complaining and investigating.

Exhibit A-37 is a letter distributed by Watters, Hay & Company, Inc., in which they announce that the Export Compress and Warehouse Company at New Orleans is prepared to give the shippers a saving of 25¢ per bale by the process of receiving cotton at the export compress and warehouse at New Orleans on the domestic rate, which is 5¢ per 100 lbs. less than the export rate, compressing the cotton to high density at a cost (R. 1108) of 75¢ per bale, out of which the Compress Company agrees to deliver the cotton to shipside in their own trucks. The fact of the matter is that the cotton does not get to shipside on the domestic rate; the intermediate compress has got its press to attract [fol. 350] business. The compress, in following the usual rule and charging 75¢ for the simple act of compression, and then charging 25¢ to dray the cotton to the shipside, has cut the compress charges to the extent of making 75¢ his total charge for both compression and delivery to the ship (R. 1109). The arrangement with the railroad, whereby the railroads will allow this cotton to be unloaded, and go into a compress while it is still apparently in custody of the railroad relates entirely to some arrangement that they have made dealing with surrender of bill of lading (R. 1110). The arrangement whereby the Alabo Compress absorbs delivery from that facility to shipside out of the cost of high densitying cotton is the same arrangement that has been in effect all along, and was in effect at the time of the previous hearing by the presses located back from the water front (R. 1110). I see no difference in the situation here from what existed in the previous hearing at Galveston, Houston and New Orleans. It has not changed except that the decision of the Interstate Commerce Com-

mission says that there was no water front plant in New Orleans, and I say that the Alabo Plant is a water front facility. I think the record shows clearly that this absorption of delivery costs to shipside out of the high density charge is the same in connection with the Alabo Compress as it has been all along with the other up-town compresses (R. 1111). Some of the uptown presses at Houston absorb the delivery cost to shipside out of the high density compression cost. Conditions, at New Orleans, we maintain, are the same as at Houston and at Galveston, that is, there are water front plants in the same sense, but cotton is moved from warehouse to shipside without the use of railroad cars or drays, but with this in view, we do not think there is any justification for the one rate plan being established at New Orleans.

My Exhibit A-38 consists of excerpts from J. H. Glenn's Port Cotton Tariff #15-A, I. C. C. A-525 and shows the existence of the two rate plan at all ports east of and including New Orleans (R. 1112). The rate in all instances on export is higher than on domestic delivery (R. 1113). [fol. 351] The Oklahoma rate is 3½¢ less for domestic delivery than for shipside delivery. The Commission prescribed the two rate plan; from Oklahoma to New Orleans in Docket 11965 it has not been made effective from Oklahoma and is not effective from Oklahoma today. On the cotton from the line of the T. & P. Railway and northward, the export rate from New Orleans is lower than the domestic rate because of the fact that New Orleans on (R. 1114) that traffic is equalized with Galveston on export and is not equalized with Galveston on the domestic rate. From Texas to New Orleans there is the 96¢ rate, there is the same spread between the domestic rate from Oklahoma as from Texas; I think the Oklahoma spread, instead of being 3½¢ is only 3¢, but the trend is there (R. 1115). From Oklahoma to New Orleans that condition exists because of failure of the carriers to conform to the order of the Interstate Commerce Commission in 11,995. At the present time the difference from Texas to New Orleans is not there, although it stands ordered into effect by the Commission. All the differences I have been talking about are the differences between local delivery rates and shipside rates. The two rate plan is in operation at all ports in the United

States where there is concentration of cotton and also exportation of cotton. The order in this case makes no reference to Port Aransas or Corpus Christi, Texas. Port Aransas has done some cotton business in the past and is anxious to handle more cotton in the future. I do not know what the local situation is there with respect to water front compresses, or back from the water front compresses. At Corpus Christi a very ambitious program of ports (R. 1116) development has reached a point where the date of September 1st, 1926, has been set for the opening of traffic. From that date, we will be in direct competition with Corpus Christi, at which point there is located the Port Compress and Warehouse Company, and we must protest against the entire adjustment as to Houston being overturned without due consideration being given to conditions at the competing ports of Port Aransas and Corpus Christi.

[fol. 352] If the carriers' revenues as a whole are to be preserved, the one rate plan must result in an increase in the present railroad rate to water front compresses, although there will be no increase in the service (R. 1117) performed by the railroads, and there is no allegation by the railroads or by anyone else in this case, that the present rate is not sufficiently remunerative. The present rate to waterfront is 80¢ and for shipside delivery 83½¢. The Commission has said that there should be a one rate plan, but that this should be done without increasing the railroads' revenue, or reducing them, consequently we must make an average somewhere between 80¢ and 83½¢ for all. All of the traffic is not moving at the 80¢ rate. If the one rate plan goes into effect, it undoubtedly will result in an increased rate to the shipside compresses. It is debatable whether it will result in a similar increase to the compresses up-town, because they now pay 80¢ in and (R. 1118), the equivalent of 3 1/3¢ to get to the ship. The Commission says they must be charged 83½¢ and the cost of their delivery refunded so in dollars and cents they will be precisely where they are now; that is, they will be the same as they are except for certain fatal defects which I am going to try to point out. One certain result of the inauguration of the one rate plan would be to increase the profit of the unfavorably located compresses, which as matters

now stand are obliged to cut their prices in order to compete with the more favorably located presses (R. 1119).

My Exhibit A-39 is an excerpt from the Galveston Wharf Company's local tariff #18, I. C. C. #28. It gives to compresses located on the Galveston Wharf Company the privilege of stopping cotton moving under through export bills of lading for the purpose of high density. It confines this privilege to the shipside high density compresses which operate under lease of the Galveston Wharf Company. That Company also serves with its own rails the Moody Compress, Kempner Compress, Southern Products Company Compress, and the Cosho Company's Compress, but those compresses, not being located immediately on the wharf front, may not operate under the items displayed in my Exhibit. Under Item 39, the shipper would pay the railroad freight rate of 83½¢. I am asking that the new [fol. 353] rate would be 83½¢; if that is any other figure, the situation will remain just the same, and the compress, we will assume, would make the standard (R. 1120) charge for high density compression of 75¢ and then under the terms of this tariff item, either the shipper or the compress company must bear the cost of moving the cotton from the compress to the ship, which it may be assumed will be comparatively low because of proximity. There would be no charge made by the carrier for the privilege of compression in transit, regardless of how many times it may have been stopped previously (R. 1121). In contrast under the one rate plan the cotton would move to the Kempner Compress at 83½¢. The compress would make the same charge for high density compressing as the High Density Compress, 75¢ per bale, and if the cotton had not been previously concentrated, the railroads would move it from compress to shipside free of charge, so that in this instance the back from the water front compress with its less favorable location would be able to put the cotton on ship board for less cost than the Shipside Density Compress with its more favorable location. On the other hand, if this cotton compressed in Kempner's compress back of the water front, had been previously concentrated, the carriers would, as matters now stand, charge 18¢ per bale for the second stop, and Mr. Kempner's plant would clearly have cause for complaint about the discrimination of the Shipside Density

Compress being allowed to stop cotton for the second time without penalty for the stop (R. 1123). To create equality, it would be necessary for the carriers to move the cotton free of charge from the Shipside High Density Presses to ships, and, on the other hand, it would be necessary for the carriers to grant the second stop for concentration at the back from the water front presses without charge (R. 1124).

(Testimony as to the second concentration charge was objected to and admitted subject to exception, the Examiner ruling that the second concentration feature is not reopened by the order of the Commission).

[fol. 354] The interests that I represent here are largely back from the waterfront interests (Record 1135). My chief object here is to save the back from the waterfront interests from the assistance that was offered them in this decision and which analyzed is found to be very injurious to the back from the waterfront man. Another condition exists which was not developed during the previous hear-
[fol. 355] ing, and that is that a result which would follow the inauguration of the one rate plan would be an increase in the cost to the concentrator of putting cotton to shipside, which would to that extent reduce the price which the producer receives for his cotton. As matters stand, any shipper who cares to concentrate at either Houston or Galveston may take advantage of this competition between compresses and achieve the appearance of getting to shipside for 80¢, and while this effect is obtained only by reason of the fact that the compresses are willing to shrink their revenue by paying the cost of delivering to shipside out of their fees for compression, it does not actually reduce the shipper's cost of getting to the ship, and this saving goes back through the process of competition between cotton buyers and the producer, so that finally, this effort to equalize fortune, opportunities or abilities, if successful, will cost the producer of this cotton an amount equal to the difference between the present net earnings of the compress, that is. 72½¢ less 18¢. or 54½¢, and the earnings that they would like to get of 75¢ per bale. The order in this case aims to establish one rate for all deliveries (R. 1136). As we analyze the situation, there would be neither a one rate plan, or equalization. Certainly from the railroad's

viewpoint there would be anything but one rate; there would be as many different rates as there are different situations among port concentrators. 1. Those concentrating at Houston back from the waterfront, where a box car is used, would pay the freight rate of 83½¢, and the railroad would retain the whole sum and perform switching free (R. 1137). 2. Where cotton is concentrated at Houston back from the water front, at one of the half dozen or more compresses that are located on shallow water, or at one of the two that are located on deep water, but have no wharves, so that for practical purposes they are just the same as back from the water front compresses, and from which barges are used, the shipper would pay the railroad rate of 83½¢. The railroad would then perform no further service, but would pay our 17¢ per bale, or 3½¢ per 100 lbs., leaving a net revenue of 80¢. The 3½¢ per 100 lbs. would be paid to the barge company and the railroads will probably pay 17¢ per bale to the shipper. 3. Where cotton is concentrated at Houston back from the waterfront [fol. 356] presses and the dray is used, the shipper would pay railroad freight rate of 83½¢; the railroad would then perform no further service, but would pay out 18¢ per bale, leaving a net revenue slightly less than when the barge was used (R. 1138). The shipper would pay the drayage and then turn in his bills to the railroad and the railroad would pay the shipper leaving net to the railroads of 80¢. 4. Where cotton is concentrated at Houston on the water front when loaded on ship at the adjacent wharf, the shipper would pay the railroad freight rate of 83½¢. The railroad would perform no further service, but would pay something for delivery and unloading, for handling from the compress to the ship. The railroad would refund the cost of delivery from the inside of the plant to the ship. The railroad has lost possession of the cotton when it collects the 83½¢ rate and turns it in to the concentrating warehouse (R. 1139). The same is true where the cotton is hauled out to the barge. The railroad would have performed the same service as in No. 1 but would have less net money. The railroads have already agreed that in the event the one rate plan becomes effective, they will pay the waterfront compress an amount equivalent to the cost of delivery from compress to ship (R. 1140). The agree-

ment was not written out (R. 1142). 5. Where cotton is concentrated at Houston and loaded on ship, at other wharves, and moving in railroad cars, the shipper would pay the 83½¢ rate; the railroad would keep all the money and perform the additional switching service free, leaving them the same amount of money, but more service than where the cotton is concentrated back from the water front and switched to the wharf. 6. The cotton is concentrated at Houston on the water front and loaded on ship at other wharves by barge, the shipper would pay the 83½¢ rate, but the railroad would perform no further service, but would refund 17¢ per bale. 7. Where cotton is concentrated at Galveston, whether at the water front or back from the water front, wherever wharf drayage is absorbed by the railroad amounting to 18¢, 19¢ or 20¢, the railroad service will be greater than on cotton to Houston, and the net revenue to the carrier would be less than on cotton delivered at Houston.

The same conditions would exist everywhere, regardless [fol. 357] of what the rate may be all over Texas, Oklahoma and any other place, the 83½¢ rate being used only to illustrate the situation and to show that we will not have a one rate plan but will have a many rate plan (R. 1145). All of the computations are based upon the shipper collecting his concentration refund. That, however, is impossible because much of the cotton handled in Houston and Galveston has been previously concentrated, and the stop in Houston or Galveston is a second stop, for which the railroads charge 3½¢ per 100 lbs., in item 60, Texas Lines Tariff #29-C, I. C. C. 190. This means that the one rate plan, instead of equalizing, will make for unequalization.

A Waco buyer, buying cotton that is concentrated in the Greenville warehouse, would pay nothing for the privilege of concentrating at Greenville. The exporter located in Houston buying the same cotton (R. 1146), brings it to Houston and he is having a second concentration in Houston, and after that he would have to pay 3½¢ per 100 lbs. The Waco man would have to pay the same if he wanted to concentrate at Waco the second time. If the Houston exporter did not concentrate at Houston, he would not be in any different position than the Waco concentrator who did not concentrate at Waco. Concentration contemplates the

merchandising of the cotton, whether at the interior or at the port, and when a port exporter buys cotton, which has been concentrated in the interior, if he re-concentrates it at Houston, or at Galveston, he does so for his own convenience in remerchandising it to suit his particular circumstances. He has established himself at (R. 1147) Houston, and he wishes to do his business there. He is forced to buy it at places where it has been concentrated in the interior, because, without his wishes and with no benefit to him, it has found its way into the first concentrating point. The Houston exporter is not benefited in any way or in any degree by the fact that it was previously concentrated in the interior. It is impossible for the Houston exporter to buy the cotton before it has been concentrated, because he starts out to buy cotton and he finds that, [fol. 358] instead of being at the place where it was grown and ginned it is somewhere else, having been brought into a concentrating point. He has no means of knowing that it has been concentrated.

[fol. 359] He can ascertain whether it is wagon cotton or cotton that is moved in by rail, but that would not be answer to the question, because the first concentrator has the privilege of substituting one bale for another, and he may choose to sell him the wagon cotton and then apply railroad billing to it. The matching of billing is some time after it is sold to the exporter at the port; the interior concentrator may not call for his concentration until the end of the shipping season (R. 1149). The interior merchant, or the farmers, may store their cotton at the compress warehouses in the interior and have it concentrated under the tariff's provision. If a farmer wanted to hold his cotton for better prices and still wanted to have it in a warehouse where he could get negotiable warehouse receipts, he would have to put it in one of these interior concentration points, although he did not merchandise it (R. 1150).

The barge line in Houston harbor delivers cotton from all compresses which are located on the water, Long Reach, Shippers, Exporters, Merchants, Clinton, Magnolia, Turning Basin, and Ship Channel, to shipside in Houston harbor. The barges come alongside the vessel on the water side and the loading is done by shiptackle from barge to

ship. Due to the fact that this cotton does not actually pass over the dock, the wharfage rate is only 1c per one hundred pounds, whereas the wharfage rate on cotton at Houston which actually passes over the dock is 2c per one hundred pounds. Under the order in this case which requires the establishment of the one-rate plan, the shipside rate is to be made by adding wharfage to the railroad freight rate. This would necessitate two shipside rates, one made by the addition of the 2c wharfage and the other made by the addition of the 1c wharfage charge (R. 1151).

To the extent that cotton reaches Houston and Galveston which has been previously concentrated in the interior, and which would be charged by the railroad 3½c per hundred pounds for the second stop, this one-rate plan would fail to equalize, but the burden in every instance would fall upon the back of the waterfront concentrator, placing [fol. 360] him to that extent under a disadvantage as compared with the interior concentrator who gets his first concentration from the railroad free of charge, and at a disadvantage with the waterfront concentrator because the waterfront concentrator would not have to pay for a second concentration (R. 1152).

My exhibit A-39 shows an arrangement at Galveston by which the shipside density presses are permitted to stop cotton for high density, without any charge being made by the carriers for the privilege of stopping. It seems to us that this forms a precedent for the elimination of all charges for second stops at Houston and Galveston. A further precedent is found in item 40 of Texas Lines Tariff 17-D, Fonda's I. C. C. 135, where it is provided that Railroad Companies will concentrate cotton linters once at any available point in Texas in line of shipment, without charge, and a second time without additional charge at Houston, Beaumont or Aransas Pass, or at the port point of destination, and before delivery at the wharf (R. 1153). In connection with the transit stop at Houston or Galveston under the one-rate plan, the railroad would not in the case of cotton handled from compress to ship by dray or barge, perform any additional or different service than they do now, and they would be collecting a higher freight rate than they get now. For instance the railroads will bring cotton into Mr. Kempner's warehouse at Galveston for

80¢. Mr. Kempner used his own drays to haul the cotton from compress to shipside. Under the one-rate plan, the railroad would collect 83½¢ and then refund to Mr. Kempner 3½¢ to pay him for hi*m* expense of drayage. There being no difference in the service and no difference in the railroad remuneration, it is difficult to see how there is any justification for an additional charge of 3½¢ per one hundred pounds for the second concentration under the one rate [fol. 361] plan (R. 1154).

Since the expense to the carrier of granting first concentration is not less than the expense in granting second concentration, and since there is no charge for concentrating in the interior, there could not be any very great impropriety in permitting the second stop also without charge.

All cotton in Texas at the present time is entitled to one stop for compression in transit and to another stop for concentration. The owner may transit press the cotton at one compress, and then send it on to the next compress for concentration, so that certainly the carriers hold themselves out to stop cotton twice without charge for either stop, and this suggests that it would be quite proper to give us a second stop free where the cotton had not previously stopped but once. The shipper cannot select the stop for compression, except that he may indicate that he wants it to be compressed in transit; the carriers may stop it wherever they please (R. 1155). The order would also increase the rate on cotton mill cotton. Since Mr. McCord made his investigation, there has been established in Houston two cotton mills, the Houston Textile Mills, manufacturers of cotton blankets, and the Houston Cotton and Twine Mills, Inc., manufacturers of cotton twine. Records of the Cotton Exchange show that there was consumed in Houston, during the year ending July 31st, 1925, a total of 5,236 bales of cotton. By the end of the year ending July 31st, 1926, the figures indicate that there will have been a consumption of something over 10,000 bales, and by the end of the calendar year 1926, the operations of these two mills have expanded to a point where they will consume not less than 20,000 bales per year. A large mill is also being constructed in Galveston (R. 1156). The one rate plan would increase the rate on cotton consumed in the spinning industry in Houston and in Galveston, al-

though certainly there has been no allegation and can be no allegation of discrimination or prejudices as between the waterfront concentrators and the spinning industry.

At the present time our cotton comes into Houston and [fol. 362] Galveston under the intrastate tariffs which carry virtually no routing restrictions, and which permit cotton to come in on whatever route happens to be the most natural one. Under the one-rate plan, cotton would continue to come into Houston under the same intrastate tariff, but upon arrival here would have to be placed under concentration claim for the purpose of recovering the cost of moving from compress to shipside, which would have the effect of making this cotton subject to the interstate tariff. In every instance, then, where cotton had moved via some route into Houston or Galveston, which is not permitted or provided for in the inter-state tariff, the port concentrator would lose his refund. Item 395, Supplement 12, Texas Lines Tariff 50-F, I. C. C. 166 (R. 1157) provides that rates from points on the Abilene and Southern to Houston and Galveston apply only via Abilene or Anson, Texas, Wichita Valley Railway, Wichita Falls, Texas, Ft. Worth & Denver City via Fort Worth, Texas. The natural route in this case is southward through Ballinger on the Santa Fe, or via Abilene and the T&P. The route via Wichita Falls required in the Interstate Tariff is most unnatural and impractical.

Item 397 in the same Supplement provides that the rates from Wichita Falls and Southern will apply only via Wichita Falls, F. W. & D. C., Ft. Worth, H. & T. C., the natural route here is southward through Breckenridge, and the Wichita Falls route being restricted to the H. & T. C. alone, south of Ft. Worth, would certainly deprive our concentrators of any refund on cotton from off that line. (R. 1158.) The same situation exists from Wichita Valley points and the Amarillo division of the Rock Island.

Item 40 of Texas Lines Tariff 29-C, Fonda's I. C. C. 190, provides that concentrated cotton must be re-shipped from concentrating points via the same line that brought it in. The back from the waterfront concentrators at Houston are obliged to use railroad service in getting from compress to ship. It is impossible for them to know at the

time they are shipping cotton what billing they will have available for their concentration claim, and the unavoidable consequence of this condition, is that when the ship-
[fol. 363] ping season is over and the shipper undertakes to file his concentration claim, he is bound to find that on much of his business he will be unable to match up inbound billing with outbound bills of lading, and here again the back from the water concentrator from Houston will be under serious disadvantage and injury as compared with the water front concentrator at Houston and Galveston who uses drays exclusively and does not use railroad cars. How the refund on the switching charge could be arranged when the cotton came in on railroad into Houston, I am unable to work out (R. 1159). Another condition exists which was not developed during the previous hearings, and that is the injury to Houston and Galveston which it would work in the disruption of the relationship which in I. C. C. 11,965 was established as between Texas Ports and New Orleans on cotton from Arkansas, Oklahoma, and Louisiana. The one rate plan as proposed for Houston would certainly raise the rate for domestic delivery (R. 1160), in addition to which it would certainly penalize the port concentrator at Houston and Galveston to the extent of the charge for second concentration on about 40% of the total business, and to this extent the findings in I. C. C. 11,965 would be swept aside as a result of a local dissatisfaction at Galveston, which does not even pretend to go into the question of volume of the rates (R. 1161).

My Exhibit A-40 is intended to show the reason for not setting aside relationships established by I. C. C. 11,965. My Exhibit A-41 is a copy of the reports to the Commission written by the Chairman of a Conference between shippers and carriers held in New Orleans on September 25, 1925, by suggestion of the Interstate Commerce Commission, after receipt of Mr. Thornton's protest (R. 1162).

Another difficulty in the way of the back from the water front concentrator which would result from the one rate plan, and which was not developed during the previous hearing is the loss of their refund which would result from the passing of compresses. Compresses are often passed
[fol. 364] because they are so close to the final destination that it would be foolish to stop the cotton there for com-

pressing (R. 1163). Cotton which now moves to the port under the intrastate rate, which does not provide any penalty for passing the compress, under the one rate plan, [fol. 365] will, when concentration claims are filed, have to move under the interstate rate, which provides penalties for passing compresses, and that will result in the loss of the refund in so many instances as to damage the back from the water front man very seriously (R. 1164). This applies only to cotton moving from Texas, my showing here has reference to short haul cotton, where it would be a manifest injustice to the cotton owner to force him to compress at those compresses. My particular showing might have reference ot Panhandle Cotton, but that would be purely incidental. I refer to particularly those cases where the distance is not sufficient for the carrier to absorb the cost of compression and still have its 62¢ and still the shipper will be penalized if he does not patronize that compress (R. 1165). Exhibit A-42 shows that for distances up to and including 75 miles, the rate does not include any part of the cost of compressing. At 76 miles the rate includes 1¢ for compression, and from that point onward the amount of the cost of compression that is absorbed continues to increase until at 161 miles, the entire cost is absorbed. On a shipment moving for 100 miles on which the rate is 64½¢, if the shipper should ask the carrier to compress, the carrier would absorb only 8½¢ and the shipper would pay the difference. The carriers would demand a minimum of 56¢ before they will absorb any charges and they will absorb up to the full compression charge where the rate is above 56¢. The rule is stated in virtually that language in Item (R. 1168) 30 on page 15 of this tariff. Exhibit A-42 reflects the condition that exists under the intrastate rate only. It could not make any difference whether the shipper paid the difference between what the carrier absorbed and the cost of compression, or whether it were added into his rates and the carrier absorbed it (R. 1168).

Exhibit A-43 contains the inter-state tariff provision which has the effect of completely depriving the shipper of the right to pass a compress regardless of its location, and regardless of the circumstances of its business by inflicting a penalty of 12¢ per 100 lbs. upon any cotton which has

passed a compress without stopping for compression. The shipper on the intra-state traffic in Texas now has not the [fol. 366] right to designate the press at which his cotton shall be compressed (R. 1169). However, if he buys cotton 75 miles from here, which would place him 5 miles above the Brenham Press, he does have the privilege of saying that he wants the cotton to come from the shipping point right to destination in Houston without an intermediate stop; that is what I mean by passing compresses. I do not mean that the shipper has the right to designate compression at any particular compress in transit. His right to have it shipped to Houston without intermediate stops would apply to 400 miles from Houston under the intra-state tariff. I am seeking to show that under the one rate plan it will hereafter cost the concentrator more money to get his cotton to Houston than it has ever cost him before, unless he submits to compressing it at Brenham. Whether or not the cotton is compressed to high density after reaching Houston makes no difference. If he submits to compressing at Brenham, he will have to pay for compressing which is really of no value, and if he does not submit to compressing at Brenham, he will be penalized 12¢ per 100 lbs.

My Exhibit #A-44, page 1, shows the nearest compress on each of the lines out of Houston and the distance from Houston to that nearest compress. The cotton shown on page 2, produced in the counties between Houston and the first compress, would not have to be back-hauled under the Commission's decision (R. 1171). In some cases it would be hauled into Houston flat, and in other cases the railroad might back haul it for their own convenience; if they did the latter, they could not charge the shipper for the compression. I think about 25 or 30 bales were brought into Houston this past season in trucks (R. 1172).

When cotton reaches Houston it is within two or three hours of Galveston; but under the tariff rules shown in my Exhibit A-44, the shipper would be obliged to waste his time and money by permitting the cotton to be compressed at Houston, and the carriers would be compelled to permit its compression. It is estimated that standard compressing at best takes three days time, and page 1 of Exhibit A-44 shows that on many of these hauls the carriers will be paying out 18¢ per 100 lbs. for compressing, although the [fol. 367] remainder of the haul is only 50 miles.

My Exhibit A-45 shows a comparison of rates from stations on the I. & G. N., beginning with the first point north of Houston. The destination in every case is Galveston. I have shown the distance in each case and the rates to Galveston under the intra-state schedule of rates, and also under the inter-state rate (R. 1173). This shows clearly the unreasonableness of the compressing rule which one rate plan would force upon us. From Aldine, the first station north of Houston, which is 61 miles to Galveston, at the present time a shipper in Galveston can send his cotton into Galveston for 38¢ per 100 lbs. It would be folly to stop that cotton at Houston for compression. Nevertheless under the inter-state rate, which is the tariff that we are about to be forced into, his rate for that same movement if he refused to compress it in transit at Houston would be 68½¢ per 100 lbs. The intra-state rate of 38¢ does not include shipside delivery; it includes delivery in the warehouses at any plant in Galveston (R. 1174). The 56½¢ rate which is shown in the third column of rates in Exhibit A-45 is explained as being the present inter-state rate to the shipside at Galveston, taken from Fonda's Tariff # 50. The rate is 68½¢ in the last column of the first line, is arrived at by adding the penalty of 12¢ per 100 lbs. which is provided for in that same tariff, and which is reproduced in my Exhibit A-43. The first column of rates is the through uncompressed rate under the intra-state tariff. The second is the compressing in transit rate at railroad expense. The inter-state rate adds a penalty of 12¢ per 100 lbs. to the movement moving through uncompressed (R. 1175). The second column of rates is flat delivery or depot delivery. The third column shows the rate for shipside delivery. The 12¢ is added to the shipside delivery. There is no flat delivery rate in (R. 1176), the inter-state tariff. The only rate in the inter-state tariff is the shipside rate. It includes forced compression in transit and carries the 12¢ penalty. [fol. 368] The Texas Commission has never authorized such a penalty (R. 1177). The local delivery rate is an intra-state rate and the shipside is an inter-state rate. The local delivery rate on flat cotton is 80¢ and there is no penalty added. The rate on shipside is 83½¢ and there is a penalty added. The 80¢ rate does have an inter-state application, but not in the sense that it may be used to shipside, but only

to peculiar localities or to some railroad whose line begins in Texas, runs out of the State, and then comes back into the State.

My Exhibit A-46 shows the effect on cotton coming into Houston. For extremely short hauls there cannot possibly be any profit to carriers in stopping for compression in transit nor benefit to the owner of the cotton (R. 1180). On cotton coming out of Brenham the distance is so short and the rate to Houston is so low that the railroad would absorb only 61½¢ per 100 lbs. cost of compressing if the cotton was stopped there, but under the tariff the penalty of (R. 1180) 12¢ would nevertheless be assessed if the shipper should run his cotton through without stopping at Brenham. These conditions exist with regard to every railroad line running out of Houston to greater or lesser extent (R. 1181).

On my Exhibit A-47, I have taken the I. & G. N., which has two lines out of Houston, one extending to Palestine in east Texas, and the other terminating in Ft. Worth in Central Texas. I have shown first the stations on the Palestine line, with distances to Houston and the rates to Houston both inter-state and intra-state. In contrast I have shown stations on the Ft. Worth line for which the distances are identically the same as the distances from stations on the Palestine line. The nearest compress on the Palestine line is at Palestine, 151 miles from Houston. The nearest compress on the Ft. Worth line is at Navasota, 71 miles from Houston, with another at Bryan, 101 miles from Houston. All down the line on both branches of this railroad, the intra-state through uncompressed rate from equal distant points are identically the same. The intra-state compressed in transit rate all the way down the line are virtually the same on both lines for equal distant points. That is also [fol. 369] true of inter-state rates on compressed in transit cotton, (R. 1182), but when we come to the inter-state rate on through uncompressed cotton we find startling differences. On the Palestine line at 79 miles, we find the station of Riverside, Texas. The through uncompressed interstate rate is 77½¢, but when we get over on the Ft. Worth line for a haul of 79 miles we find the station of Dinkins and there the through uncompressed rate is 89½¢ per 100 pounds. The existence of a compress on the Ft. Worth line

at Navasota causes the rate on through uncompressed cot-
[fol. 370] ton from all points north of Navasota to be increased 12¢ per 100 lbs. over what it would be from equidistant points on the Palestine line, because there is no nearby compress on the Palestine line. If the shipment from Dinkins was stopped at Navasota and compressed in transit, the net revenue to the carrier, after paying the compression charge, would be 59½¢ as contrasted with 89½¢ from the same points if it were not compressed (R. 1183). It is not our position that the 12¢ additional charge for flat cotton is involved in this case; that is just one condition that was not developed at the previous hearing, and I offer this to show the impracticability of the one-rate plan (R. 1184). We suggest that the situation be left as it is (R. 1185). The 12¢ penalty must be removed, or you will not have one-rate plan (R. 1186). Our only reason for going into the advantages of the interior concentrator is for the purpose of showing that the port concentrator, particularly the back from the water front concentrator is already so situated in his competition with the interior man that he cannot bear any further burden. Among the advantages that the interior concentrator now has is his choice of ports, the benefit accruing from the ability to use through export bills of lading, thereby getting relief from demurrage or other expense in getting his cotton aboard ship and also getting very extensive indirect service performed for him free of charge by the carriers, the extent of which is shown in detail in my Exhibit A-13. I refer to a backhaul service in order to concentrate or compress cotton, which is a service rendered to accommodate the shipper (R. 1187). The shipper has the option of directing that the cotton be back-hauled to a compress point for concentration; but not for compression. It runs up to 250 miles in some instances. The back-haul privilege for concentration has to some small extent perhaps grown out of the competition between carriers, but mainly it is competition between concentrating plants and shippers, commercial conditions. If all the producers from a certain territory want to ship to a certain concentrating point where the market is good, they may prevail on the railroad to back-haul their
[fol. 371] cotton free of charge to bring it there (R. 1188). The Exhibit does not show the amount of cotton that is

back hauled; it shows the amount of backhaul in miles that could be availed of by the shipper if he elected to use it (R. 1189). We do not propose to eliminate that back haul service; we show it as one of the advantages which the interior concentrator has, as another reason for leaving us alone instead of loading us up with further handicaps (R. 1190). I do not adopt Mr. Fulbright's statement that if they are not going to leave us alone, then the interior concentrator should pay for the service that he gets, including his back haul.

Another advantage that the interior concentrator has is that he pays nothing to the railroads for the service and expense incurred in stopping cotton for transit concentration even in a direct line of transit. The practice of giving transit privileges (R. 1191) on cotton without remuneration, stands alone as the one instance of this character of service being given wholly free of charge. I do not think that carriers' competition and the competition of markets has entered into the element of a free transit on cotton (R. 1192). Initially all cotton was concentrated in the interior, and it was taken as a matter of course that cotton would take the concentration privilege, and the rate was so adjusted as to take care of it without any arbitrary addition to the rates. In recent years, port concentration has grown up, and the port concentrator does not use the interior stop at all. The interior concentrator continues to use it, since the increase in concentration at the ports during the last 15 years. It cannot be denied that there was additional expense to the carriers in connection with the concentration of cotton; on the inbound movement there is the expense of switching, notice of arrival to the consignee at the concentration point; (R. 1193) preparation of freight bills, covering the inbound movement, checking the shipment out of the car; collection of charges; checking up on demurrage; in fact, complete terminal and delivery service. [fol. 372] There would also be all of the accounting services done in the Auditor's office and the Treasurer's office. When the cotton is ready to be shipped out, there is the placement of cars, switching, issuing bill of lading, preparation of affidavit and certificates if for export, checking and inspecting of cotton, delay to cars, in short, another complete receiving service, and then a concentration plan which

must be checked up investigated, movement made etc. The carriers perform twice as much terminal services as if the cotton moved straight through and two services that are in fact a line haul service (R. 1194). There is a substantial amount of accounting to be done in investigating, checking, and attending to the concentration claims. The outbound movement may be made at any time within one year. Ninety-nine percent of the concentrating is done on the line that originates the cotton, so I do not know that the readjusting of divisions between the carriers would cut much figure. There are a number of short lines in Texas that do not reach the port, where the concentrating must occur after it leaves the rails of those lines (R. 1195). As to whether or not there would be much re-aligning of divisions in all cases at the port, I will say that that depends on the destination (R. 1196). "Respondent Exhibit A-48," showing the cost of compressing cotton to standard density by the compresses located in the interior of Texas, Oklahoma, Arkansas and Louisiana, was admitted in evidence. "Respondent's Exhibit A-49," showing tariff charges of representative compresses in Texas, Arkansas, Oklahoma and Louisiana was admitted in evidence. Exhibit A-50, showing the cotton received at the interior compresses for the account of stockholders at Texas' points, was received in evidence. Exhibit A-51, showing the same information for Oklahoma, was received. Exhibit A-52, showing the same information with reference to the stockholders of compresses in Arkansas was received (R. 1202). Exhibit A-53, showing the same information with respect to compresses in Louisiana was received. Exhibit #A-54, showing the cotton shipped from compresses in Texas for the account of stockholders was received. Exhibit A-55, giving the same information for Oklahoma was received. Exhibit A-56, giving same information for compresses in Arkansas was received (R. 1204). Exhibit A-57 [fol. 373] giving the same information for compresses in Louisiana, was received. Mr. A. L. Reed: These Exhibits do not represent 100% of the compresses, but they do represent all of the large compresses. Some of the smaller compresses were closed and we could not get the information (R. 1205). Each one shows the total stock and the stock owned by the shippers stockholders. As we under-

stand the ruling of the examiner, these exhibits are tendered to the petitioner for re-hearing in compliance with the Commission's order or request made upon the carriers. The witness who will explain them will be put on in Dallas.

WITNESS F. R. DALZELL

Cotton has the privilege of being reconsigned while in cars; (R. 1206) the charge for that being 15¢ per bale with a minimum of $2.25 and a maximum of $6.30 per shipment. In item 98, Texas Lines Tariff 32-E, Fonda's I. C. C. 169. Cotton stopped in transit for the purpose of fumigation under governmental regulations is charged 25¢ per bale for the privilege of stopping, as shown in item 27-D, Supplement 8, Texas Lines Tariff 17-D, Fonda's I. C. C. 135. There is a charge for the concentration of Texas Mill Cotton. In item 470-D, Supplement I, Texas Lines Tariff 17-D, Fonda's I. C. C. 135 for cotton mills in Texas, a special line of rates is given which reanges from 10 to 13¢ per 100 lbs. under the standard cotton rate, but the cotton mill rate does not carry with it the privilege of concentration, the carriers' position having been that the expense of concentration is too great to be borne out of those low rates. Therefore, in a case of cotton mill cotton, the charge for the privilege of concentration which the carriers make is from 10¢ to 13¢ per 100 lbs. (R. 1207). The St. Louis San Francisco Railroad in Freight Tariff #166-T, I. C. C. #8536, on cotton when originating at points in Arkansas and Missouri, makes a charge of 5¢ per 100 lbs. for concentration privilege on cotton. The St. Louis Southwestern, in tariff I. C. C. 4167, I. C. C. 4168, I. C. C. 4224, makes a charge of 5¢ for the privilege of stopping for concentration applying in the State of Arkansas Those are charges for the first [fol. 374] stop (R. 1208). Other transit privileges in the southwest, that I have been able to locate are on Sulphur stopped for grinding, sacking and refining, charged $3.80 per car; Houston and Brazos Valley Railway re-consigning circular 1-E, I. C. C. #20. On lumber for concentration, drying, grading, sorting, storage, planing, or resawing at St. Louis, or East St. Louis, transit charge 2½¢ per

100 lbs. S. W. Lines Tariff 106-C, LeLand's I. C. C. 1742. That is on carload traffic A similar arrangement on lumber at Cairo and Thebes, the same charge of 2½¢; S. W. Lines Tariff 121-A, Leland's I. C. C. 1681. A similar arrangement on lumber at Kansas City and St. Joseph, Leavenworth, Atchison, Kansas; similar charge for the transit privilege; S. W. Lines Tariff 117, LeLand's I. C. C. 1622. Iron and steele articles stocked for fabrication, charge for the privilege 2¢ per 100 lbs. plus charge for (R. 1209) indirect service if any; Texas Lines Tariff 31-Q, Fonda's I. C. C. 203. Lumber, wood paving blocks, poles, cross ties, etc., stock for creosoting, planing or re-sawing at points in Louisiana and Texas, charge $6.30 per car for the privilege of stopping when in direct line of transit plus charge for indirect service if any; Gulf Coast Lines Freight Tariff 592-E, I. C. C. A-859.

In regard to grain, my information in the past has been that wheat coming in for milling paid a rate outward on the flour which was 5¢ higher than the wheat rate. That was in the nature of a stop charge of 5¢ for the privilege. I understand that has been changed by recent action, so that for the future the flour rate is the same as the grain rate. The charge was made specifically for stop. You had two rates, one on grain, one on flour. Corn or oats stop in transit, except for milling, charge for transit stop (R. 1210) $2.00 per car, on a track stop for re-consignment; Gulf Coast Lines local and joint tariff #708-I, I. C. C. A-677. Where I make a one-line reference only, the same privilege is universally in effect, and the transit charge is no doubt the same. Butter stops for storage, storage charge 3¢ per 100 lbs., minimum $6.30 per car plus charge for out of route service of 3¢ per ton per mile. I&GN joint freight tariff 1405. This tariff is not filed with the Interstate Commerce [fol. 375] Commission, being applicable on Texas intrastate traffic. Butter, eggs, poultry, for storing, dressed poultry, butter and eggs charged 3¢ per 100 lbs., minimum $6.30 per car. The privilege of stopping in transit to finish loading live poultry, charge $6.30 for each stop in line of transit, plus charge for out of line indirect service. That is Gulf Coast Line Freight Tariff 845-E, I. C. C. A-868. Edible nuts, storage transit charge, 7¢ per 100 lbs., Gulf Coast Lines Freight Tariff 1425, I. C. C. A-871. Potatoes,

celery and (R. 1211) onions stop for storage transit charge, 3½¢ per 100 lbs. Gulf Coast Lines Freight Tariff 1323-D, I. C. C. A-872. Potatoes, stopped for drying, and curing, charged $6.30 per car for transit stop plus additional charge for indirect service. Gulf Coast Lines transit privilege Tariff #1324, I. C. C. A-622. Grapes, storage in transit on this privilege, there is no charge for the stop; Gulf Coast Lines Tariff #1327, I. C. C. 9624. Dry beans and peas, stopped for inspection, weighing, grading, cleaning, sorting, drying, stacking and storing, charge 3½¢ per 100 lbs. plus charge for out of line service; Gulf Coast Lines Freight Tariff 1329-C, I. C. C. #3. Citrus fruit, stop for storage charge 2½¢ per 100 lbs. plus $6.30 per car for the stop. Gulf Coast Lines Transit Privilege Tariff 1387. This tariff is not filed with the Interstate Commerce Commission being applicable only on Texas Intra-state traffic. Peanuts, stop for cleaning and shelling, charge $6.30 per car, plus charge for indirect service if any performed; Gulf Coast Lines Transit Privilege Tariff 1126-B, I. C. C. A-635. The *C*eciduous and Citrus fruits and vegetables stop for concentration or storage, where both inward and outward movement is in carload, the transit charge is $12.00 per car, plus indirect service where performed; Gulf Coast Lines Local and Joint Tariff 1121-G, I. C. C. 143. Rice, stop for milling, inspection, weighing, cleaning, sacking, mixing, grading, charged 2½¢ per 100 lbs.; Gulf Coast Lines Local and Joint Freight Tariff, (R. 1212) 1145-D, I. C. C. A-629. Sulphur, stopped in transit for grinding at Houston, charge 1¢ per 100 lbs; I&GN Freight Transit Tariff 1431, I. C. C. 142. Pecans, carloads, and less than carload shipments, concentrated for the purpose of cleaning, grading, polishing, storing, for concentration privilege, the charge is 25% of the rate from point of origin [fol. 376] to the concentration point, in addition to through rate from point of origin to destination with a further charge of 9 mills per ton mile for backhaul; I&GN Freight Tariff 2330-H, I. C. C. 958. The pecans in carloads stop in transit for purpose of concentration, shelling, grading, transit charge $6.30 per car, necessary switching to or from plant to be in addition to the through rate. This transit arrangement applies on Ft. Worth & Denver, I&GN, T&P,

Weatherford, Mineral Wells and Northwestern only. Leland's I. C. C. 1674, Item 96.

Cotton seed Cake, Meal and Oil, stopping of oil for refining, reconditioning, inspecting, barrelling, etc., no charge for the transit stop. On Cake and Meal stopped for packing, sacking, grinding, inspecting, milling, etc., transit stop, $6.30 per car, plus charge for indirect service if any; Gulf Coast Lines Transit Privilege Tariff 621-K, I. C. C. A-745. There are special circumstances that prevented the application of a charge for stopping cotton seed oil for refining. The rates were made on combination of locals on Mississippi River crossing, and if there (R. 1213) had been a charge made for stopping in transit for refining at interior points, it would have simply stopped the refining at interior points and all the refining would have necessarily been done at the rate breaking point.

Sugar, storage, no charge for this stopping privilege; St. Louis San Francisco Freight Tariff, 1686-U, I. C. C. 8513. Gluecose, corn syrup, maple syrup, molasses, etc., transit privilege for mixing with sugar etc., when originating at Sugarland, or Texas City, Texas, no charge made specifically for the transit stop; I. & G. N. Joint Freight Tariff 2697-G, I. C. C. 965. Mohair and Wool stop for the privilege of inspection, weighing, sorting, grading, storing, changing consignment, ownership or destination, transit charge 3½¢ per 100 lbs. plus charge for indirect service if any performed. Transit charge on the Wool and Mohair 3½¢ per 100 lbs. plus charge for indirect service, Item 93, S. W. Lines Classification and Exceptions and Rules Circular 1-M, Leland's I. C. C. 1674. Live stock, stopped for [fol. 377] dipping in transit under requirements of State or Federal authorities, charge $6.30 per car for the stop charge, and indirect service. Leland's I. C. C. 1674. Structural Iron stops for fabricating, charge for the transit stop being 2¢ per 100 lbs; Item 408, Leland's I. C. C. 1674.

There are stop privileges for the purpose of partially (R. 1214) unloading, and a charge of $6.30 per car for stops in Southwestern Lines Classification Exceptions 1-M, Leland's I. C. C. 1674 on the following commodities: Agricultural Implements, Bananas, Cocoanuts, beer substitutes, tin cracker cans, junk and scrap iron, mineral waters, mineral water packages, Paper and Paper Bags, Butter and

Eggs, live and dressed Poultry, Stone Wear, Turpentine, Vegetables, and Melons. Agricultural Implements stop for storage and/or distribution, charge for transit privilege 1½¢ per 100 lbs., minimum $6.30 per car; Item 465, Leland's I. C. C. 1674. Potatoes and Onions for storage, 3¢ per 100 lbs. Item 552, Leland's I. C. C. 1674. Cattle to be stopped in transit for feeding, $12.00 per car. Leland's I. C. C. 1667 (R. 1215). These items are repeated because the first were Gulf Coast Lines Tariff, and these are Leland's. The first were for intra-state application, and Leland's are for inter-state application. I am not in a position to say what the application of the particular charge is, or the particular territory that it covers. The purpose of this evidence is to show that transit services are authorized and charges are made on many other commodities into this territory under inquiry. It is our position that there should be a charge on cotton for concentration, compression, grading, marketing, weighing, sampling etc. (R. 1216) if no other sort of relief can be given to us, and if we must have the one-rate plan. That charge would be assessed against the ports' facilities to the extent that we would not collect the refund coming to us under the refunding plan, but I don't believe that we would ever pay it in the shape of its specific charge for previous concentration. I feel that the charge would put the port concentrator on a better competitive basis with the interior concentrator (R. 1217). Under the Commission's one rate [fol. 378] plan, there are so many things that operate against the port concentrator, that he would never be able to get his refund for the cost of getting cotton from the compress to the ship. The charge for second concentration, the passing of compresses, the impossibility of getting cotton from the compresses to the ship in round lots, the fact that a one hundred bale car would contain lots of cotton from all the railroads in Houston, all of those things would make it impossible for us to get the refund back, and, therefore, we will be at a disadvantage to adjust the cost of getting cotton from back of the water front to the ship (R. 1218).

We would object to having the cotton switched by the carriers from back of the water front to shipside. There would be no difference whether it was switched or drayed,

except where it could be drayed as in Galveston, the difficulty of the mixed car from the compress to the ship coming from different railroads, and the impossibility of getting our money back in a case of that sort, would not be present. I am speaking for the large majority of the business in Houston, which is situated back from the water front, and must use a box car, and will be penalized much more by this order than anybody else situated in the interior back from the water front or at Galveston (R. 1219). The concentrator back from the water front at Houston, would be in a different position from the concentrator back from the water front in Galveston, because the man at Galveston would use a dray. The particular item of inability to get back refund because of inability to load a car with one railroad cotton would operate only against the back from the water front man at Houston. If a charge were made for concentration in the interior, we would simply abandon our refund (R. 1220). We would be compensated for that loss by the fact that the interior man will have to pay for his privilege. The one rate plan will not give the back from the water front man his refund. It will mean in effect that we will have to pay 83½¢ to get the cotton into the back from the water front compresses and that we will then have to bear our own cost of getting the cotton from those presses to the ship. It is not a one rate plan and it is impracticable. We cannot recover the cost of draying or switching the cotton from the back from the water front [fol. 379] compresses in Houston to shipside, first of all because a very important portion of it has previously been concentrated. I think perhaps that one way of stating it is that we want a concentration at Houston, regardless of whether or not it has been concentrated at some other point. We do not want to pay for the concentration at Houston because the interior (R. 1221) man concentrates it. The interior man does not use second concentration, and we in Houston do not use first concentration. We have no use for the first concentration. That includes the back from the water front concentrators at Houston and Galveston (R. 1222). I mean by that, cotton that will be put on ships at Houston, having moved by rail. Where the cotton moves out by rail, that is a concentration proposition, and we would have to pay for the second stop there if we took

it, but where it moves out by boat, we abandon our refund and pay our own costs (R. 1223). It is absolutely necessary for our existence, that there *w*hould be either two free concentrations, or none (R. 1224). When I stated that the port concentrator has no use for first concentration, I meant that he has no use for interior concentration. The port concentrator does not want one more concentration than the interior; he wants his concentration at the port at no greater cost than his competitor in the interior gets his concentration (R. 1225). On our cotton coming into Houston from the interior, shipped in by cotton firms, they have no way of telling when the shipment is made in, until they file claims and take it back to the railroad company, whether the cotton has been previously concentrated or not (R. 1226).

[fol. 380] You can tell that it originated at the point where you bought it; the purchaser buys the cotton at Temple, and it is shipped to him from Temple and he pays the freight rate from Temple. Three months afterwards, the man who sold him the cotton may file a concentration claim with the Railroad agent and get a refund from the railroad on that cotton as having moved into Temple from some place. The man in Houston never knows anything about that (R. 1227).

Another of the advantages that the interior concentrator has over the port concentrator is the cheap concentration service that he is able to get from the Compresses.

There are three questions to be considered in determining whether this allowance is right or wrong: (1) did it reach its present plane by proper and justifiable gradations, (2) does it fairly represent the cost to the compresses of performing this service for the carriers? (3) does it fairly represent the benefit to the carriers?

Mr. Reed: I just want to interpose the objection that the reasonableness of the rate is not involved in this case and that testimony is not pertinent unless it is.

Examiner Money: The objection will be noted.

The allowance which the Railroads at present are making to the compresses is 18¢ per 100 pounds, which, on a 525 pound bale of cotton, amounts to 94½¢ (R. 1243). My Exhibit A-58 reproduces the item, taken from Fonda's Texas

Lines Tariff 17-A, I. C. C. 64, that fixes the amount of compress absorption that is in effect of September 10th, 1914. It applies on intrastate traffic on all lines. The interstate rules run right along with these charges as portrayed in this exhibit. I could not gather together the tariffs of twelve years back, so I am offering only the progress of this matter as in Fonda's Tariff 17-A as being representative of the course of the compress allowance. It is generally representative of the course of the Compress allow-
[fol. 381] ance in the Southwest, I should say (R. 1244). I think the same variations would occur in Oklahoma, Arkansas and Louisiana. On September 10th, that is the first item, it shows that the Railroad assumed the cost of compressing cotton not to exceed 10¢ per 100 pounds. This means that the Railroad paid only 10¢ for the compressing
[fol. 382] and did not bear the cost of unloading from the cars or reloading into the cars, that being a part of the compress operation. My recollection as a former Railroad Traffic man is that it did not. Either the shipper paid for it or the compress paid it out (R. 1245) of that allowance. The second paragraph, effective June 25th., 1918, shows that on that date the freight rate on cotton was increased 15¢ per 100 pounds, but the compress allowance remained at 10¢. That was a flat 16¢ increase in the cotton rate under General Order No. 28. Effective December 19th, 1918, it is provided that the allowance is increased to 15¢ with a further provision, which had not appeared before, that the allowance of 15¢ is to cover the service of compression, including loading of the (R. 1246) compressed cotton in the cars with a minimum of 75 bales per car. I do not know whether the rate would be higher if there were only fifty bales in the car. The 75 bale limitation was in effect an operating requirement by the Railroad. The next change is effective December 31st, 1919, continuing as before with the one exception that it dropped the words "75 bales per car" (R. 1247). The next change took place on August 26th, 1920. The Compress allowance became 20¢ per 100 pounds and a note is added which states that the above allowance of 20¢ will cover the cost of compression, including the loading and topping of compressed cotton and insurance on transit cotton. That is the intrastate rule I am

reading. There was a delay in publishing the interstate rule, and during the interim between August 26th, 1920, and until the interstate tariff was made effective increasing the allowance to 15¢, there was a time when the carrier only absorbed 15¢ and the shipper took 5¢ (R. 1249). Exhibit A-58 refers to intrastate traffic all the way through. The next change took place March 18th, 1921, and there the only change is the addition of the words "or other services of any and every description which may be rendered to or for [fol. 383] account of the carrier by the Compress Company." The next change is on July 11th, 1921; here the language is identically the same except there is added "unloading" as one of the services covered by the 20¢. The next change became effective July 15th, 1922, and makes no change in the language but does reduce the allowance to 18¢. The next change was October 1st, 1922, and consists simply in dropping the word "unloading" (R. 1250). I take it that the present 18¢ compress allowance includes the performance of the work of unloading by the compress. I have no means of knowing what the exact practice is. It is my understanding that the changes in the tariff allowance corresponds exactly in the changes in charges made by the Compress, the only exception being in the case referred to on August 26th, 1920 in regard to the interstate traffic. The effect of that exception has been nullified by the fact that the Commission granted reparation (R. 1251). I should make exception of the first change, which brought the compress allowance from 10¢ to 15¢. The through rate at that time was increased 15¢ per 100 pounds, but the compress allowance did not increase at the same time. Subsequent to that, the freight rate went up on a certain date, the compress charge went up on a certain date, and the compress allowance went up correspondingly on the same date. The advance to 15¢ per 100 pounds in compress allowance was made uniformly all over the cotton producing district, and was fixed at 15¢ by the price-fixing Committee of the War Industries Board. In the Southeast, it remained at 15¢ and does to this day. In the Southwest it has since been made to fluctuate with the changes in the freight rate (R. 1252). I make no distinction between the compress charge and the compress allowance. I refer to the amounts that the Railroads allow for the compression of cotton. The re-

sult is that the compress allowance has increased from 10¢ to 18¢, an increase of 80%, and this increase is materially greater than the percentage of increase that has taken place in the Railroad freight rates on cotton during that period [fol. 384] of time (R. 1253). The rate increased at the time of General Order No. 28. Page 4 of my exhibit A-59 shows the rate on cotton from Texas common points to Texas ports, the shipside rate, eliminating wharfage (R. 1254), but not eliminating compression, showing in the first column the gross rate on cotton as being 54¢. By gross rate I mean the freight rate including the compressing allowance. I took that rate through its variations on down to the present time, and find it is now 83½¢. The amount of increase is 29½¢ per 100 pounds, which is 55% increase (R. 1255). Under the heading "net railroad rate on cotton," I have taken the through rate, extracted from it the amount of the compression allowance that the carriers would make, leaving myself only with the carriers' net revenue. On June 24th, 1918, that was 44¢, today it is 65½¢. The increase, therefore, amounts to 21½¢, or 49%. In the third block, I have shown the variations of the compress allowance which, of course, gets the result that I spoke of, an increase of 80%. On page 3, I have established the rate from Texas common points to Texas ports, local delivery (R. 1256). I have worked that out the same way and it shows that the Railroads' gross revenue increased 57% and that the increase in the compress allowance is 80%. On page 2 I have taken a different situation, from Oklahoma points to Texas ports for local delivery. That shows an increase in the freight rates of 48%, in the gross rates, 43%, and still 80% in the compress allowance. On page 1 of the exhibit, I have used the rates from Oklahoma to Carolina mill points, using Greenville, South Carolina, Ashville, North Carolina, and Charlotte, North Carolina, as destinations. That shows an increase in the gross rates of 36%; an increase in the Railroad's net revenue of 31%, with an increase in the compress allowance of 80%. The Carolina rates are made joint; they are furnished in the sheet of a proportional rate to Memphis with another section of the tariff which adds arbitraries to the Memphis rate to make through rates. On June 24th the rate was 99¢; on June 25, 1918 $1.44 and on August 26, 1920, $1.49 (R. 1257). On

page 1, the rates that I used from Oklahoma is the main group, of which Oklahoma City is representative, the group that covers the largest part of the city. On page 2 I used [fol. 385] the same. In no instance has the freight rate gone up 80%.

The second proposition under our consideration of these compress allowances is: Does it fairly represent the cost to the compress of performing those services with the carriers. That feature will be handled by some one else.

The third question we inquired into is: Does it fairly (R. 1259) represent to the carriers the benefit which they get from the process of compression; in other words, do they pay more for the compression than it is worth to them (R. 1260).

(The objection to a question as to the relation between the benefit of compression to carriers and the length of hauls was made that the propriety of the compress allowance was not at issue, and the evidence was admitted subject to exception.) (R. 1262).

(The transcript of the testimony of Witness J. J. Morrisey in Docket 11,965 was offered in evidence as an exhibit, and being objected to on the grounds that it was hearsay and not binding on parties who were not in the previous proceeding, was rejected until effort should be made to get Mr. Morrisey to testify.

Exhibit A-60 is a photographic copy of the States of Texas, Oklahoma, Arkansas, Louisiana, and a part of New Mexico, which is the cotton district embraced in this proceeding. The map is prepared and published by the General Drafting Company, Incorporated, 6 Church Street, New York (R. 1269). The triangular stops are compresses. The points that are marked with a circle were indicated on the original map as concentration points. Compresses are located at those points (R. 1270). The information reflected on this map is correct according to my best knowledge and belief, and I have looked it over pretty carefully (R. 1271). As to the compression of cotton for the account of the car- [fol. 386] riers, the option of s-lecting the compressing point is entirely with the carriers in Texas. If the shipper insists on making the election, and if it does not conform [fol. 387] to the wishes of the carriers, he would be charged

the full amount of the compression. The general custom is that the owner of the cotton in selecting a concentration point may select the first compress in (R. 1274) either direction. He has the right to have the cotton concentrated at some other point than the point at which it may be compressed, in the direction towards destination he may select any point for his concentration, whether the first compress or not. There are cases where he may obtain the service of concentration which would involve indirect haul or back haul. In Oklahoma they have what is commonly referred to as the Four Point system; they select four points, one in North Central Oklahoma, one in Southwestern Oklahoma, one in Central Oklahoma, and one other point, in fact I think there are five now, and the shipper of cotton in a general way may concentrate at any one of those five places (R. 1275). He also has the option of concentrating at the compression point. I am not familiar with the rules in Louisiana and Arkansas. I have an exhibit which shows a list of the interior compress locations with the names of the members of the companies, capacities, and date of establishment.

Mr. Fulbright: (The statements as to the ownership of the compresses should be disregarded, as the witness cannot testify to that. I do not know whether or not those compresses are still in operation. The capacity means the amount of cotton they can store in sheds) (R. 1278).

WITNESS J. T. STOCKTON, JR., RECALLED

I have jurisdiction over the assignment of ships to berths at the Houston Compress Company wharf. The first two days prior to the beginning of the first half or of the last half of the month at which the majority of the steam- [fol. 388] ship sailings from the Port of Houston are made, the various steamship operators make a written berth application to me as Manager of the dock department of the Houston Compress Company, requesting an assignment for a specific steamer, stating that their steamer has left a certain port on a certain date and that it was their idea to have this ship available at the port of Houston for load-

ing beween specific dates. After all of these applications are received and the amount of business that each operator will have for these steamers determined, assignments are made by me to berths at the Long Reach (R. 1283) dock. It has always been my policy or practice to endeavor to give the operators the same berths at this dock each month. This is due to the fact that they maintain an office and telephone service there in their own name and also to avoid moving their equipment and things of that sort on the dock proper. I do not receive any instructions from Anderson, Clayton & Co. or from the warehouse department of the Houston Compress Company as to where I shall berth ships. I have no information as to what part of the warehouse cotton may be located in before I allocate a ship to a given berth. I do not take into consideration the location of cotton in the Long Reach warehouse (R. 1284). There is a portion of cotton delivered in cars on the wharf of our company. That fact has nothing to do with what berth I take for a ship. It is very rare that the ship will shift from one berth to another to obtain cotton from our warehouse. They shift only due to the advance arrival or the delay of the steamer or to bad weather conditions, but this is not at all times practicable. It is my policy to always utilize the Long Reach dock facilities to its utmost capacity, and to keep each one of the four berths at all times occupied. When the four berths are occupied at all times, it is impossible to make a steamer shift from one berth to the other. We have no contract whatsoever, or other arrangement, with the steamship lines for the handling of the cotton by the steamship employees between [fol. 389] the storage point of the cotton in the warehouse and the point in the loading berth. We have no arrangement whereby the steamship employees bring cotton out of the warehouse (R. 1285). We have no contract of any character with the steamship lines or steamship agents. For the privilege of docking at our wharf, we charge a ship over a thousand gross registered tons $50.00 shed hire, and ships under a thousand gross registered tons $25.00 shed hire. We make a docking charge of ½ cent per gross registered ton per day for the first ten days. The next ten days is free, after which the ½ cent charge becomes effective again. Similar charges are made at other

ports, but not the same rate. The rates may vary. Shed hire charges are made at other places than the port of Houston. I have charge of the department that supervises the berth space (R. 1286). We make no restrictions against a firm's business, regardless of what firm it is, who wants to send cotton to my place; we are glad to handle it. The steamships load cotton at those ships which is shipped for export by other firms than Anderson, Clayton & Company. A wharfage charge is assessed against each -ale of cotton that moves over the dock regardless of ownership. That is in addition to the charge of the ship. The wharfage charge is 2¢ per 100 pounds for cotton that moves in cars or from the warehouse into the ship and 1¢ per 100 pounds for barge cotton (R. 1287). That is the general charge at the Port of Houston at the present time. I think the charge at Galveston is the same. We receive no applications for berth space from anyone else other than the steamship. I do not consult any other persons or any other concern in the assignment of berth space. When I make an assignment of berth space to a ship, I have no information at all as to where the cotton may be located or how it may come to that ship (R. 1288). I do not know whether it will come from the warehouse of Anderson, Clayton & Co., or out of some other warehouse, or by rail. I handle cotton at the wharf that comes in by rail from the interior. I should say that there is just as much cotton moving through Berth 4, which is on the extreme South end of the plant, as there is through Berth 1, on the North [fol. 390] end of the plant, and the same applies to either berth 2 or 3. As far as my policy is concerned, it is a question of where we can most conveniently handle the ship at the time the application is made.

Cross-examination:

I do not know positively what proportion of the cotton which moves over our piers is Anderson, Clayton cotton, but I would approximate it at 60 percent (R. 1289). Berth No. 1 is occupied as a rule by Lykes Brothers-Ripley Company, the French Line, and any other line that I can conveniently put in between the steamers of the other two lines. Mr. F. A. Dunlap is the agent of the French Line, and represents several lines in addition. Each allocation is made for each

specific steamship, not as regards the line. The first half sailing is the sailing from any port any time in a 30-day month between the first and the 15th, in a 31 day month between the 1st and the 16th inclusive. The last half, from the 16th to the 30th, in a 30-day month, and from the 17th (R. 1290) to the 31st in a 31-day month. Midnight of the last day mentioned. When the vessel of the Larrinaga Line, for instance, is in a position where they can tell us about the date of arrival for the first half of the month, they write us a letter that they want space for the Minnie de Larrinaga. They tell me the expected due date of the steamer at Houston and the date at which they expect to sail her and the date they would like to have that steamer at our wharf. They do not tell us the full quantity of cotton that they have booked, but they estimate what they intend to move over to our facility. The other man that uses berth No. 1 advises us about the same time of the expected arrival of their vessel. I would allocate to the Minnie De Larrinaga berth No. 1 on a certain date (R. 1291). I would limit the time according to the amount of cargo to be loaded aboard the steamer; she has a right to come in during that time, and she has no right to stay longer than that time. The cargo for each ship is placed in the berth allocated to the ship at a point designated by the ship clerk. If two [fol. 391] ships are using the same berth it is the policy of the steamship clerk to select odd bays, that is for instance, the cotton for one ship would be unloaded in Bay 17 and the cotton for the other would be placed in Bay 18 and so on (R. 1292). A bay is the distance between the posts that are on the water front center about 20 feet. Some of that cargo would be put in the compartment marked, back of Berth No. 1; that is purely a warehouse proposition, reserved for the warehouse. During the past season, we had a track No. 3, for which we used to make deliveries of export cotton in addition to Track No. 1. We stopped using Track No. 3 about the first of the year (R. 1293). I am positive that cotton has not been received during the month of April on any other track than Track No. 1. When it was received on track No. 3, it was trollied over. To truck it would be approximately 291 feet. The Anderson, Clayton cotton like car cotton is placed at a point in the berth designated by the steamship clerk. Presumably it originates from

some part of the warehouse, and has previously arrived, been sampled, marked, compressed and placed somewhere in the warehouse (R. 1294. The cotton doesn't necessarily have to wait the arrival of the steamship to be placed shipside. That space is available for it. It can be placed shipside at the time it is booked. The port rules state that the ship has the privilege of concentrating its cotton in the berth 15 days prior to the arrival of the ship. We are bound to do that on request of the shipper. If one berth has been assigned the first half sailing for 3000 bales and the same man writes for another assignment, I would give it to him if I had the space. If he could not get it in No. 1, I would take care of him in No. 4, or No. 3. It is possible for the boats to load for the first half sailing, making more than one visit to our properties and receiving cargo from more than one berth. But it is not practical. It has happened on rare occasions. I have been in charge of the plant since [fol. 392] April 1st, 1923. I make the allocations personally for the account of the Houston Compress Company as an employee (R. 1295). After weighing it in my mind, I would say that the amount of business for Anderson, Clayton that I have handled at the dock is in excess of 60 per cent. as I testified; it is between 60 and 70 per cent. I could not tell the approximate gross amount. The statistician in my department is in possession of those facts. I think we handle something in excess of 800,000 bales last year, counting all of the cotton, not only Anderson, Clayton. There is a storage capacity in the second story. The first floor has [fol. 393] doors opening from the warehouse proper onto the berth, and the second story also has doors, but it is not possible to load cotton from the second story over to the vessel. The distance is too great; it has never been done (R. 1298). The home berth is a berth at which the steamer can tie up for repairs, or lie idle; he might go to the home berth first, or he might come to the Long Reach docks first. The Traffic Manager of Anderson Clayton books with the steamship agent 6,000 bales of cotton (R. 1300) and the steamship agent asks me for berth space. There is no communication between me and the man that books the 6,000 bales of cotton, in regard to the location of that cotton (R. 1301). I know nothing whatsoever covering the physical operations of the Houston Compress proper. I do not know

where the cotton is coming from at the time the assignment is made (R. 1302). I do know how cotton is unloaded on the platform back of the warehouse, and I do know what is done on the apron at the front of the warehouse. They do not permit me to go from the front to the back of the warehouse; I can walk through. The space marked berths 1, 2, 3, and 4, on exhibit A-33, is assigned in the berth downstairs but upstairs it is called a warehouse (R. 1303). There is a difference in the physical construction of the upstairs and the downstairs part of the building; the doors do not match, and there may not be the same number of doors or windows. It is not possible to shoot cotton down the chute from the upstairs to the berth downstairs; and the trolley line is the only lifting device between the warehouse above, and the berth below. There is an incline and a decline on the trolley at the ends of the plant in the press room (R. 1304). Cotton moving on through bills of lading in passing over the Houston Compress Docks is solely under my jurisdiction. and is unloaded by his department. All cotton that is coming into the docks, handled by the railroads into Houston, or from local compresses in Houston, passes through my hands (R. 1305). The through bill of lading cotton which I handled this past season, has all been from the interior compressed to high density; I do not know of any that was put to high density at the Long Reach Plant. We solicit business to come to our berth, but I would not say that we are in competition for that business with the [fol. 394] municipal wharf; I do not know whether the municipal wharf solicits business or not; I would not say that we are in competition with the other boats that have wharves on the Houston Ship Channel (R. 1306). The amount of business handled at the port, and the number of Steamship Lines serving the port, are such that I cannot physically handle every bale of cotton and every line that serves the port. We do not use the tonnage of Anderson Clayton & Company as an attraction for the solicitation of that business. I fix the charge that is made against the vessel for dockage or shed hire. I collect the money from the steamship companies for wharfage. That is a moderate amount for the season (R. 1307). We are satisfied with the charges as they are. They charge more at Galveston. It is possible to chute cotton from the upstairs floor of the Long

Reach plant opposite the vessel, down to the pier, but it has never been done because of the fact the Steamship's space is so small that it is always utilized for the steamers and there would be no space downstairs to operate (R. 1308). We do not load any Southern Steamship Company's Steamers at our wharf. Of the total amount of business that we handle there, about 15% comes in from the interior. (R. 1309). The total amount is in excess of 800,000 bales, and taking Anderson's place of business at 70%, that would be 560,000; that would leave 30% less for the other businesses, which would be 240,000. 85% of the 240,000 would come from other compresses in Houston, or local cotton sheds of the railroads here. It reaches our docks usually by railroad cars, or by dray, or by barge. The drayage business would be about 3% of the total, 3% of 85% of 240,000 (R. 1310). The barge cotton would be 15% of the 85% of 240,000; the balance would be car cotton. If cotton on a through bill of lading should be high densitied in transit, either at Houston Compress or at any other Compress, that would not be within my jurisdiction. I do not handle any compressing of cotton in any way in connection with my duties. [fol. 395] The second assignment of a berth to a boat during the course of its loading at the port, would not be a new booking. The dockage and shed hire charges would not be assessed on its second return. The second assignment, like the first, is made at the place that is available at the time the Steamer is due to arrive, regardless of where the cotton is (R. 1311). The second story over the wharf is not a part of the berth space at which the Steamship Agent will receive cotton. I know nothing of the operation on the trolley either inside or outside the warehouse. All I know is that the cotton comes down on the trolley and is taken off by the compress and is placed at a point at the (R. 1312) shipside designated by the steamship clerk and one of my representatives, who in turn designated the space to compress employees. The clerk or foreman in the emlpoyee of the compress department, making delivery of the bill of lading lot, will notify an employee of mine, the dock department, that he has completed a bill of lading lot of cotton for the steamship which has previously applied for space. My employees checks the cotton to see if there is the amount stipulated by the clerk or foreman of the compress department. He then

turns this cotton over to the steam ship. After it is counted by the steamship clerk, he gives me a non-negotiable receipt for the cotton (R. 1313).

WITNESS J. R. ASTON

I am connected with Weatherford Crump and Company, handling the fullfillment of their export shipments. Exhibit A-34 correctly represents the wharves, the warehouses, and compresses at the Turning Basin Compress and wharves, which is the compress of the Wheatherford Crump & Co. (R. 1314). The city of Houston owns Wharf 7, and wharf 8, and the Wheaterford Crump & Co. has no control over that space. Wharves 7 and 8 are loading berths for steamers; we have no control over the allocation of steamships at those wharves. At present the International Mercantile Marine, which operate the Harrison-Leyland Steamship Lines, Liverpool and Manchester, Agent Mr. W. F. Hunt have home berth at 7 and 8. At # 8 the Sgitovitch Steamship Company, operating Steam-[fol. 396] ers to Liverpool and Manchester and a shipping board line to Genoa, has its home berth (R. 1315). So far this season, approximately 57% of the cotton moving out of the Turning Basin Compress Company, moves out at some place other than dock 7 and 8, leaving 43% of the cotton from that facility to move out over wharves 7 and 8 at our facility. On Exhibit A-34, the facilities marked "Cotton Sheds, A, B, C," are distinctly separate from the wharves. The Port Terminal Railway has a track running alongside docks 7 and 8 for switching out (R. 1316). There is one track into the dock, and I have one track which supplies to dock, and there are two tracks alongside the dock. There are also tracks coming into various portions of the plant for inbound cotton and outbound cotton. We deliver cotton for steamships on wharves 7 and 8, which are closed wharves, walled in and sheded. When we desire to make a shipment of export cotton, I call up a steamship man and offer him the cotton (R. 1317). We enter into something like an engagement note with the Agent of the line who will handle our cotton. That engagement note usually carriers the notice "to be delivered alongside the

vessel or at our loading berth." About 50% of the cotton handled in those facilities is cotton of the Weatherford Crump & Company for last season (R. 1318).

Cross-examination:

The first information we get about inbound cotton is the arrival notice. We tell the railroad where to place the cotton for the operation of the plant. He puts it there if it can be done (R. 1319). We put it in a place where we can handle it most advantageously. When it comes in, we do not know what dock it is going on. We do know whose cotton it is; it is ordinarily concentrated cotton. I think that Weatherford Crump & Company received from the railroad a certain fee for unloading those cars (R. 1320). We move cotton from compress #1 to wharf #7 by hand truck; there is an adjustable platform over the railroad tracks for the hand trucks. The space between dock 8 and the south side of the water plant is about 50 feet (R. 1321). Dock #7 is 160 feet from Compress #2. A bale of cotton when it leaves the compress has to be hand trucked 160 feet when [fol. 397] it gets onto wharf #7. Wharf #7 is approximately 400 feet long, about the length of a ship. The ship may be half full of cotton and it might be necessary to truck it down to the far end of the ship; we are still alongside of the ship. It is possible that a carload of cotton can come in on the track alongside of the compress, be unloaded by us and put into the compress by trucking it 96 feet, compressed and trucked 160 feet and put on wharf #7. We might have to truck it over (R. 1323) dock #8, amounting to 400 feet. We have two compresses, one near #8 and one near #7. What I have said applies to cotton whether moving on a local, through, domestic, or any other kind of bill of lading (R. 1323). There are no changed conditions at Weatherford Crump & Company's (R. 1324) plant since the last hearing. It is possible for us to barge cotton from our plant to shipside. We do barge very little. So far this season, Weatherford Crump & Company has barged only 250 bales (R. 1325). We get the cotton from our warehouse or compress to the barge by a chute at the left end of wharf 8. The platform for the chute is a part of dock #8, and the cotton would have to be put there before we can start it down the chute. That portion of the platform

is an extension of the dock itself (R. 1326). The only purpose of barging cotton is to move it out to some ship located at some other place in the turning basin. If we had a ship berthed at wharf #8, we could load it direct on that ship without any more expense than it would cost to get it on wharf #8. The 57% that is not exported from wharves 7 and 8, part of it leaves by rail to the southeast and a large portion moves to other docks in Houston. We have not shipped cotton to the New England Mills this season. Quite a large portion of it went to the southeast. Of the 57%, a greater portion of it went to other docks in Houston than the proportion that goes out by rail (R. 1328). The total number of bales handled last season was about 200,000. For Weatherford Crump & Company, only 57 bales have been drayed out to other facilities at Houston. The balance of it was switched by rail. Weatherford Crump & Company have barged about 250 bales this season.

[fol. 398] Cross-examination (R. 1329):

It is 50 feet from the dock itself to the portion of our plant nearest to the dock. I should say that our maximum trucking distance from a remote point in Shed C, to an average point on wharf 7 would be approximately 1,900 to 2,000 ft. The shortest distance from Shed C to wharf #7 would be approximately 1,000 to 1,200 feet. From press #1 to wharf #8, the minimum distance is 420 feet (R. 1331). The nearest portion of the warehouse is 50 feet from wharf 8. The practices which I have outlined here have been in effect since the plant has been in operation; there has not been any change in the last year or two.

Redirect examination:

When we export cotton, it is always necessary to get the cotton out of A, B, and C warehouse or cotton sheds (R. 1332). We might have cotton from the far end of cotton shed A, B, and C, going to either wharf 7 or dock 8 for a steamer. We might have some from the middle of the same cotton shed. When our cotton is received, we have no idea as to what foreign destination it will move to or what wharf it will move from. If we were to press a given amount of cotton for the truck opposite cotton shed A into cotton shed A it might move out over wharf 8;

it might not move off of our wharves at all. If we press cotton in cotton shed C, it might move out from wharf 7, but it might move out somewhere else (R. 1333).

Recross-examination:

It is only 50 feet from the warehouse of press #1 to wharf #8; but there is no cotton that ordinarily makes as short a movement as that to the dock. By the physical conditions of the plant, it is possible, but practically only a very small portion of cotton in the plant could be that close to the docks (R. 1335). We compress cotton to high density ordinarily when it is shipped out, and not at the time it is received (R. 1337). I do not recall any cotton moving out to foreign ports compressed to standard density (R. 1338).

[fol. 399] WITNESS J. V. SCOTT.

I am Vice-President and General Manager of the Houston Compress Company. I have occupied that position since 1917. I am familiar with the facilities that belong to the company at Long Reach, and have been familiar with that property in a general way since it was constructed. In the early part of 1923, we started the construction of the Long Reach Plant, but construction was suspended before the cotton season started. In the spring of 1924, in March, the construction was started again, completing the wharf (R. 1339). My Exhibit A-62 is a picture showing the facilities in 1923, when the construction was stopped before the beginning of the 1923-1924 cotton season. The photograph was taken at the time we suspended construction work, I would say it was in July of 1923 (R. 1340). We were not berthing ships there and loading cotton in July. This photograph shows substantially the condition of the facility at the time of the former hearing in this case in October, 1923. The change that has taken place since in that facility is the covering of that part of it between the edge of the dock nearest the ship and the portion of the warehouse situated over the apron by the runway. The portion where the freight cars are standing in the photograph on the waterside is not covered (R. 1341). None of the apron is covered. The distance

from the apron, the outside edge of the warehouse, is 90 feet. The distance at the present time from the outside lip of the wharf to the main warehouse is just as it was in October, 1923. At that time, this apron or wharf was approximately 20 feet wide. (R. 1342). The total part that is constructed, upon which the freight cars are standing is about 30 feet wide (R. 1343). The open space shown in the photograph between the apron of the wharf, and the warehouse, has been closed up by a concrete floor; and we have constructed a covered wharf over that space. That covered part of the wharf goes to within 20 feet of the lip of the wharf. The covered wharf is 70 feet wide, and the open wharf is 20 feet wide. At the time of the former hearing, we did not have the trolley system complete. At the time the photograph was taken, the width of the uncovered apron was 40 feet (R. 1344). It is now [fol. 400] 20 feet. The width of the open space is 50 feet. Since the former hearing, there has been constructed another wharf back of the other warehouse as shown by the blue print put in evidence. Cotton coming into that warehouse for concentration at Long Reach is unloaded on the receiving platform, weighed, sampled and blocked away on the platform, and is held. It is held on the receiving platform, as shown on the blue print in Exhibit A-33, until the class has been returned and is applied on the bale. It is loaded on the receiving platform and trollied to the press room, where it is pressed to high density, packed and sent to a segregating room and segregated according to grade. It is then loaded on trolleys and trollied all over the warehouse to storage space (R. 1345). The segregating, separating the different grades or staples into lots of 100 bales or 50 bales is done in the press room. We have to store it wherever we have space in the warehouse. Some of it is stored in the downstairs part of the warehouse and some of it upstairs. There are 15 or 20 different grades to be stored in one compartment; that is the case in all the compartments all over the warehouse. The compartments are not used exclusively for the storage or concentration of cotton. Five compartments, 6, 7, 8, 9, and 10, are used for the storage of general commodities. Very small amounts of cotton are stored in those compartments (R. 1346). The compartments immediately above those on

the second floor are used for the storage of cotton. The general commodities stored are newsprint, cotton ties, etc. They are imported. We have never stored any flour in our warehouse. It goes to the ship's berth.

The Dock Department will not accept or sign for a complete bill of lading until it has all been delivered in the ship's berth by the compress. That cotton is put on trolleys out of the different compartments all over the warehouse, and trollied around to the docks, through the docks, and then taken off by the compress laborers into the berth where the steamer is docked (R. 1347). At the time it is placed in the storage compartment, we do not know where it will be carried out or what ship will take it. We do not even know whether it will go out on a ship nor where it will [fol. 401] ultimately go. Some portion of our cotton may be stored in the warehouse for a considerable period of time. In selecting a point for the storing of cotton in the warehouse, we do not take into consideration where we might be able to place a steamer to take that cotton. We could not do that (R. 1348). When a steamer takes a cargo of cotton out from one of our berths, that cotton is obtained from various parts of the warehouse. We distribute the cotton all over the warehouse for storage. We cannot pick out any one compartment to store certain grades. There is not enough cotton in any one compartment to take care of the shipment. Hand trucks are not used in delivering cotton from the warehouse to the ships. They are used for the purpose of segregating cotton and trucking out of cars, and trucking to trolleys. They are also used in trucking from trolleys on the wharves, and in trucking from trolleys when the cotton is to be stored away in the warehouse. It is not practical to carry on a system of delivering the cotton to the berth by hand truck and to operate the trolley system at the same time (R. 1349). They would conflict. We would have trolleys going north and south, and trucks going east and west, and also trucks going north and south. You would have to leave a good deal more space for trucking. Cotton taken from the warehouse between tracks 2 and 3, to be switched to shipside, is put on a hand truck and trucked to the trolley serving that part of the warehouse and trollied around to shipside and

taken off of the trolleys at the ship's berth by hand truck, and blocked in the ship's berth. In receiving cotton on our tracks, marked 2 and 3 on the blue print, we make a large number of empty cars. We could reload those cars at the receiving platform and switch cotton out on track 3 and have it switched back on track 1 to the wharf. Cotton is never hand-trucked from the warehouse described between track 2 and 3 to the loading berth (R. 1350). It is not hand trucked from the upstairs of the warehouse to the loading berth. Steamship employees are not permitted to come into the warehouse to gather cargo. At the time of the former hearing in this case, a part of the warehouse was allocated to the receipt of steamship's berths, and made a part of the berth. That part was the part between the [fol. 402] so-called dead line and the dotted line of the warehouse on Exhibit A-33, it is 40 feet and was used to assemble cotton for steamers. There was a wooden floor 40 feet wide, the entire length of the warehouse where cotton was placed for steamers. The floor in the west of the warehouse is concrete, and this space was marked off by a heavy line the entire length of the warehouse. In using that as a part of a loading berth, even though the cotton was roped off, the longshoremen would get hold of the wrong cotton many times, and we had to go to a great deal of expense watching it (R. 1351); and we were always in fear of the cotton getting away from us that warehouse reecipts were out against. Warehouse receipts are issued in some cases on 100-bale lots, and some by carload lots. They are negotiable, and the cotton is not moved out of the warehouse until they are surrendered; the cotton is not even moved to ship's berth until the warehouse receipt is cancelled. As a warehouseman, our responsibility attaches as long as that receipt is outstanding. It is not practical to assign to the steamer a portion of our warehouse in which there is also stored this cotton against which there are negotiable receipts outstanding. We could not afford to let the steamship people come into the warehouse (R. 1352) because we would have no protection whatsoever if our warehouse was left open to longshoremen or anybody else employed by the Steamship Company who could come in and out. They work the berth at times when our plant is closed down, on holidays, Sundays and at night. The

doors between the warehouse and the dock have to be closed on account of insurance regulations at night as well as for our own protection. There has been no change in the original warehouse since the last hearing, being that part of the warehouse marked Compartments 1 to 10 on Exhibit A-33, except that a wooden floor that was used in the old space when cotton was assembled for ships has been torn up and concrete floors put there in place of it (R. 1353). The second story of the original warehouse is just as it was. There is a second floor in the wharf house; it is not used as a part of the wharf. We took up the [fol. 403] matter with the Steamship Agents and Stevedores of allowing us to utilize a part of that second story as berthing space, and they took it up with the longshoremen, and refused to accept cotton in that part of the warehouse. We do not deliver any cotton in the second floor of the house built over the wharf. Anderson Clayton is not the only customer we store cotton for. We store and compress for the public in general (R. 1354). The greater portion of our business is the cotton of Anderson Clayton & Company. Our company has another plant located at Houston. There has been no change in that situation at the other plant. Our company still operates the other plant and concentrates cotton there (R. 1355). The accounts of the Houston Compress Company are kept separate from the accounts of Anderson Clayton & Company. The Anderson Clayton Company account is handled like any other customers'. It is handled by written orders from them as to shipments coming in and shipments going out. I direct the affairs and policies of the Houston Compress Company. The Dock Department, Mr. Stockton, would select the space available for berth space for the steamers (R. 1356). Anderson Clayton Company does not give me any directions as to how I should handle the business in running the compress, except they have pressed us pretty hard for getting shipments out for them; we didn't have any room at shipside, and they have had to keep after us, wanting to know why we couldn't get their cotton delivered in ship's berth. We do not give any preference to Anderson Clayton & Company over the other companies in the handling of that business. We keep a separate accounting of the operations of the Dock Department, under the Supervision of Mr.

Stockton. It is a part of the Houston Compress Company. The Houston Compress Company is a Texas Corporation (R. 1357).

Cross-examination:

Mr. Fulbright is the Attorney and also the President of the Houston Compress Company. The Board of Directors consists of R. J. Cummings, R. C. Fulbright, N. D. Anderson, A H. Miller and myself I know Mr Will Clayton and Mr Ben Clayton quite well. The dock facilities have been completed now (R. 1358). We are not going to make any [fol. 404] more changes in the present facilities; we will probably have some additions; we have to put in berthing space for two more Steamers. The general plan of operation has been fixed. We have installed a trolley system, we have always used trolleys since the Long Reach plant was constructed. I do not see how we could handle the volume of cotton that we do handle by hand trucking; it would be too expensive, and too long a haul. The trolley system reduces the cost and is more efficient (R. 1359).

I suppose that cotton originating in Dallas and moving on a through bill of lading, passes over our dockets. I do not know what kind of a document it moves under. I do not think we have had any cotton moving on a through bill of lading that has been high densitied in our press. There may have been. The Railroad and Steamship Lines would know. We get our advice from them that there is cotton for a certain Steamer in the yards, giving us advice and billing to take care of it. We have had some cotton that came in by railroad on track 2 or 3, and was placed in the compress and compressed to high density and then carried through ship's berth. We don't know the origin of it, of course. We do compress it to high density and send it right on to the ship. We have always had trolleys. The introduction of the trolley system is no change in conditions as they existed last time, only to the extent that it has been enlarged and increased. It is physically possible to truck the cotton, but we wouldn't think of trucking it. We might have to truck it 1700 feet to get it to the ship's berth, and that means a trucker would have to go 3400 feet the round trip and he would make about two of those a day and be burned out (R. 1361). The truckers we pay by the hour. I do not get the billing, and do not know how such

cotton moves (R. 1362). It all looks alike to us. Some of it we may not compress, and that part would go directly to the ship's berth. It would go on track #1. Anderson Clayton & Company are one of our largest customers. They might buy 500 bales of cotton in the interior and send it to this press, it being of different grades and coming from dif-
[fol. 405] ferent sections, originating from some Texas common point. It would be delivered at our compress and unloaded upon arrival. But the compress does not get the unloading charge from the railroad for any business handled by it (R. 1363). There is an unloading charge for cotton that goes directly to the ship, which is performed by the Docket Department for the account of the railroad. The 500 bale lots would be unloaded at our plant. We sample it, and the samples are sent to the classing room. It is weighed before it is sampled. It is left on the range or on the receiving platform until the classes come back from the classing room; the classes are applied to the tags and the cotton is trucked to the trolley and trollied to the press room (R. 1364). After compression, it is segregated as to grades and staples and then distributed all over the plant. The weighing, sampling, compressing, and putting together in even grades, is done for the benefit of Anderson Clayton & Company. It is the service that is necessary to be rendered them for them to handle, sell, and dispose of that cotton to their advantage. If Anderson Clayton & Company sell for foreign shipment 100 bales of cotton out of that lot, of an even grade, they give us an order to ship. They don't say which compartment we shall ship it out of. They do not know where it is (R. 1365). We look in our records and find in what compartment their 100 bales of this particular grade they want are, and send that. It is trucked to the trolley, trollied around to the ship's berth, and unloaded by compress labor, and trucked to its place in ship's berth.

All of the Anderson Clayton & Company cotton that we handle is pressed to high desity on arrival. They ship high density cotton to New England. The cotton is handled in the same way whether the cotton is to go out to ship's berth, or whether it is going by car, (R. 1366) except the fact that the cars can be placed opposite the cotton and a Steamer cannot. Placing the cars opposite the cotton short-

ens the haul to the trolley and reduces the amount of labor necessary for us to perform that service.

[fol. 406] Mr. Fulbright: As Counsel and as President of the Houston Compress Co., I wish to make the admission that all of the stock of the Houston Compress Co., is owned by Anderson Clayton & Company.

The Witness: No cotton is moved from the second story and loaded on vessels from there. In a few isolated cases that was done. On Exhibit A-62, from the third runway, there is something that could be a skid (R. 1368). I don't know what that is. It is possible that a bale of cotton could slide down there, but it has to be trucked from the different parts of the warehouse. We elect the Board of Directors by voting the stock.

We do not permit the employees of the steamship company to come into Compartments 1, 2, 3, 4, to 10, shown on Exhibit A-33, to pick up cotton and take it in to berths 1, 2, 3, and 4. We do not permit anybody to go into any of our compartments (R. 1369). We would not permit railroad employees to come into storage spaces 1 to 10 and take cotton and put it in berths 1 to 4. We insist on doing that ourselves. I am General Manager of the Compress Company, which includes berth spaces 1, 2, 3, and 4, as well as other parts of the facility. We purchased the land on which we constructed the facility shown on Exhibit A-62 from the I. & G. N. Railroad; we ship cotton over all roads in Texas. The I. & G. N. had a yard at Booth, known as the Booth Yard before we built our plant (R. 1370). All cotton destined to our plant, as well as other cotton for compresses in Houston, would be switched into Booth yard. They switch the cotton out of Booth yard into our facility as we want it. They cannot switch in there when we are operating this trolley. The switching is done at night after seven o'clock when the plant is closed, and during the noon hour. There is some switching during the day, which does not interfere with the plant operation (R. 1371). In the past, we would not permit the railroads to switch when we were operating the trolley from the receiving platform; that is not true [fol. 407] now. We are using track 3 now for switching during the day when the trolleys are in operation, and they can switch any time during the day while the trolleys are in op-

eration (R. 1372). Track #2 will be used when certain construction is finished there. We are not using track #2 at the present time; we have used it. The railroad can switch on track #2 when we are operating the trolley, but we would have to close down a part of our operation (R. 1373). Exhibit A-33 is correct as to the present construction of the plant, except that it is not complete; the extensions and platform are not completed. We do not now have an Island platform between the two railroad tracks; that has been taken out. About one-third of it is left. On Exhibit [fol. 408] A-33, the long compartment between tracks 2 and 3 is marked "Warehouse." North of that is a receiving platform. Between those two, there is shown on this Exhibit one track, #2. (R. 1374). Previously there were two tracks on that space, and in between the two tracks there was an Island receiving platform. That platform was about twelve feet wide; it was not used for the storage of cotton at all. In operating that platform with the trolley, the trolley would go around between that platform and the main plant; that would interfere with switching on what was then track #2. But at the present time, there is no trolley in there because the platform is being taken out. There is a trolley shown as a dotted line on the blue print under the 68 foot warehouse, that can operate to the ship's berth or the upper stories in the main warehouse. When the construction is completed, we will be able to switch #2 track while we are operating the trolley serving the outside warehouse; the trolley will either be elevated over the railroad track or double back over the 68 foot warehouse (R. 1375), and across over to the main warehouse over the track. Until that is done, it will interfere with the switching. But when the switching operations on track #2 are done, they will not be interfered with by any trolley operations at the time. That applies also to switching to the water front on track #1. We can change the trolley system at any time; we can elevate them (R. 1376). Prior to the construction of the part beyond the heavy line in Exhibit A-33, when the warehouse looks as it does on Exhibit A-62, the space from the dead line 40 feet to the dotted line, showing the trolley line down the warehouse, was used for ships' cotton. The Steamship would come in there and pick up cotton and truck it and load it on the ship. The change that has taken

place is that we have completed the dock. The change is that the ship's employees came into the 40 foot space between the trolley line and the water front in the spaces marked 1 to 10, but now come into the spaces marked [fol. 409] "Berths 1 to 4." We have not moved that part nearer to the ship; we have completed our dock. The difference in what we call the space between the dotted line and the heavy line in berths 1 to 10 on Exhibit A-33, and what we call berths 1 to 4 today is that there is only one door in each one of those compartments (R. 1378) and there are many doors in the ship's berth. There are fire walls in the compartments, 1 to 10, ten fire walls in the warehouse and there are four in the ship's berth. The walls were there before we extended the berthing space (R. 1379). The lines on Exhibit A-33, separateing the compartment designated sections 1 to 10, represent the walls and fire doors between the compartments. There are fire doors in those walls. The walls were in the building in 1923, and they are still there. No change has been made in them (R. 1380). The marks on the floor of the warehouse at Long Reach, and on the posts, gives the post location for cotton; the cotton is in no case marked the same as those marks. They do not signify a mark that will be on the cotton. The marks on the floor or on the walls in chalk indicate the grade, but the marks on the posts indicate the post location (R. 1381). There would be 15 or 20 different grades of cotton in one compartment. We would utilize all of the available space at the particular points marked M-C-D-X for cotton marked the same way (R. 1382).

Anderson Clayton & Company have nothing whatsoever to do with the handling of customers' cotton. The Houston Compress Company is a separate organization, separate accounting, etc. It costs $8.10 per car to move cotton of the Farm Bureau from the Fifth Ward Plant to the Long Reach Plant to shipside. That is the switching, and we pay it (R. 1383). The Houston Compress Company has no contract with the Farm Bureau (R. 1384.)

Mr. Fulbright: Our arrangement with the Farm Bureau includes a charge of $1.15 for the total handling, that means the compression, concentration, and the movement down to shipside. It is a verbal contract, a tariff. It is what we pay all the time (R. 1385). We have no written contract

with them and I do not know whether there is an understanding between Anderson Clayton and the Farm Bureau [fol. 410] that, in the event, the one rate plan goes in, they will reduce the charges 18¢ per bale, at the Fifth Ward Plant. I will neither affirm nor deny that there is such an arrangement.

The Witness: The trolley system is partly a labor saving device (R. 1386). I am not posted as to what it cost us to store a bale of cotton. I have made up no definite figures. There is no unloading allowance from the railroads to the Houston Compress Company for unloading cotton. I refer to merchandising cotton (R. 1387). I do not know what goes to Anderson Clayton & Co. No allowance goes to the Houston Compress Company except cotton that goes directly to the Steamer. We charge Anderson Clayton & Company for handling their cotton. I do not know whether they file a claim with the railroad and get it refunded or not (R. 1388). We have shipped several thousand bales to Russia. When we store it, we do not know where it is going until after it is delivered to the buyers. It is turned over to us by one of our customers for account of the Russian, or any other customer, and we do not know the final destination of the cotton until it is shipped (R. 1389). There might be other shipments to other foreign countries that would receive the same service at the compress as far as patching is concerned. I do not know anything whatever about the Russian cotton, that is different from any other; all cotton is packed. Bills of lading for the Anderson Clayton cotton are made out at their office I suppose. They give us a shipping order along with the cancelled warehouse receipt, directing us to either deliver it to shipside or load it in cars, and when that is done, we notify them of loading; the Western Weighing Association notifies the railroad of the car number, and Anderson Clayton Company then attends to taking out the bills of lading. If we were going to load cotton out in a car, referring to Exhibit A-33, we would utilize the trolley service to move that cotton within the warehouse out to the platform where the cars were spotted (R. 1390). The complete entire plant service would be performed by the trolley delivering it to the wharf where we would load the cars. We load the cars

on the loading platform. It is our duty to load it in the car (R. 1391). I know nothing about a statement sent out [fol. 411] by Anderson Clayton & Company to the railroads as the basis for the refunding of charges to Anderson Clayton & Company at the Houston Compress Long Reach Plant for this intra-plant service (R. 1391). I know of no negotiation with the railroads for the refund of the intra-plant cost of delivering to shipside (R. 1392). We store cotton in the Long Reach warehouse for several customers besides Anderson Clayton & Company. Kenworthy & Company is one of them. We handle a large volume of round bale cotton in that warehouse for Anderson Clayton & Company, some for the Texas Farm Bureau; the latter is a small amount. We do not store round bale cotton downstairs. It could be done, but we don't do it. If it were stored in Section 6, opposite berth #3, and sold for export, in some instances we would load it on a trolley and trolley it to berth #3. It depends on the operations of the trolley as to whether we would try to truck it through #3; we have never had any operations of that kind. We have hand trucked cotton in some cases (R. 1394). There are general commodities stored in compartments 6, 7, 8, 9 and 10, and compartment #1 is used for segregating cotton or for the press. The majority of the cotton is stored upstairs in a warehouse served by track #3. There would be nothing to prevent our storing the general commodities upstairs and the cotton downstairs. Round bale cotton does not have to be compressed any more after it leaves the gin; in the warehouse it is merchandised like any other cotton when it comes to us (R. 1396). I am not prepared to give any figures on the cost of operation in regard to the relative cost of transporting cotton from Section 6, opposite berth 3, to berth 3, and delivering it to the Steamship, and the cost of transporting the same bale of cotton from section 6 to a railroad car. Cotton in Section #3 which is going to a ship in berth #2 would be trucked to the trolley, and trolleyed down around (R. 1398) to the berth. There is only one trolley in Section 3. It runs from the press room and makes a lap of the warehouse. It does not run in both directions at that particular point, but it does come [fol. 412] back the other way; it can either come back around by the receiving platform, or it can come around

through the Steamships' docks. Cotton in Section #3, to go to berth #2, would be put on the trolley in Section #3, and would move through section 4, (R. 1399), and then it would move through Section 5, and all of the other sections, going through section 10, and then coming back again. It switches onto the trolley in the berth in front of the press room. That makes a complete lap of the plant; we don't have much of that. We have in a few instances trucked cotton from space #3 to berth #2 (R. 1400). We would make the same operation in getting cotton from Sections 1 and 2 to berth 2 as we would from Section 3 to berth 2 (R. 1401). There is a switch in 5 and the cotton would go through section 5 out on to the trolley opposite the receiving platform and then around the press room on the trolley to the berth. Cotton from Section 3, moving to berth #2, would not pass through #1. I am mistaken about the trolley coming that way; the berth trolley runs in the opposite direction from the trolley down through the warehouse. The cotton would be switched into the blue line at this end of the warehouse, and come on around. The blue line is the trolley line that runs down through the ship's berth at the opposite end of the compress. That is in section 10 (R. 1402). From Section 3 to berth 2, we would move through Section 10. I would say that 5% of the cotton going to the berths would probably be trucked; there would be a small percentage that would be going for this berth that could come out of this compartment. It could be trucked right from Section 3 to berth 2 (R. 1403). The cotton for berth 2 is kept all over the warehouse. There is no cotton stored for any of these berths. It may come from any part of the warehouse to any one of the berths. There could be some cotton in Sections 2 and 4 which is going to berth 2. In a case of that kind we would truck the cotton to the berth (R. 1404). As long as we could get the cotton past this so-called dead line by truck, [fol. 413] we could get it into the ship's berth. We have a further duty to perform, and that is to place the cotton in that particular part of that berth that is designated by the Steamship Agent to receive it. There could be cotton in berth 2 for two different ships. We load cotton on railroad cars sometimes which is going for export (R. 1405). I do not know of any cases where cars were switched from track

2 on to track 1 to the dock. It would be more economical to load it in cars to the berths rather than to try to truck it to berth. The trolley operation would be cheaper, than loading it on to cars and having it switched and a larger volume could be handled. I am not prepared to say what the cost of trolleying cotton is. I have not recently made any study of that. We could not have used trucks at that plant; the plant is not designed to truck cotton, certainly the volume we had and we had to take that into consideration in putting the trolley in, the volume of cotton we are handling could not be handled by truck or railroad cars. I am not prepared to answer at this time whether or not I have made any study of the cost of transporting cotton by trolley (R. 1407). I do not know anything about the prices charged by the Stevedores for trucking cotton. We load the cars going out to other compresses. We high density cotton as soon as it gets in the plant. The average load in one of the cars is 75 bales to 100 bales. Seventy-five bales go in a 36 foot car; 100 bales go in the 40 foot car (R. 1408). After we are furnished with a report from the classification room, we decide what compartment to put the cotton in. We mark it with letters to show its grade. When we get an order for 100 bales of a certain grade, we can select it from any compartment as suits our convenience. We load it on the trolleys where we can get it (R. 1410). It does not matter to us where we get it, if it is more expensive and consumes more time, that makes no difference. It is approximately 50 or 55 feet from the trolley in compartment #3 to the trolley in berth #2. There is a door through the so-called dead wall at the center of compartment #3. If we had a bale of cotton immediately adjacent to the trolley in compartment #3 and the space immediately adjacent to the trolley in berth #2, and opposite there, leading in to compartment #3, was as-[fol. 414] signed to a ship then loading, we would put it on the trolley in compartment #2 and trolley it down to compartment 3, and truck it. If it was located in compart-partment #3 opposite the door, it would be trucked into the berth and blocked away inside of the berth where the Steamship Clerk (R. 1411) attends to it. If all the space allotted to the ship was built up except space in which you could put cotton immediately adjacent to the trolley, we

would have to put it in some other place (R. 1413). In trucking from the edge of the aisle in compartment #3, opposite the door to the storage space in berth #2, you would have to truck approximately 75 feet. It is about 55 feet from the trolley in the warehouse to the trolley in the berth. Section #3 will hold approximately 5,000 bale-tiered, 3,000 bales on the floor and 2,000 on top (R. 1414). The 40 foot space between the trolley and the dead wall is now being used for compress supplies, such as bands, buckles, twine, etc., and also for short making grades bought during the season (R. 1415). I do not know about the cost of the trolley movement per bale. I would say that 65% of the cotton would be stored upstairs, and it is hard for me to say just what percentage would be stored in the main warehouse. There would be about 15% stored in the 68 foot warehouse, and probably the balance of it would be in the downstairs main warehouse. There are only four compartments downstairs that are used exclusively for storage (R. 1416). The cotton is trucked from the compartment upstairs to the trolley line, is loaded on the trolley, is trollied to the ship's berth and unloaded by the compress department labor, and delivered in 100 bale lots in the ship's berth. That cotton would probably come out of different compartments upstairs. We could not hand truck the cotton from the upstairs part to the ship's berth. We could not do any substantial amount of hard trucking and operate the trolley system at the same time, either upstairs or down. Anyone coming into our plant has to have a written pass issued by my office, and we do not permit people who come within the storage compartment. One reason it is dangerous is because of the danger of having tags switched on the cotton. We are responsible for the proper identification of each bale.

[fol. 415] The samples would not go along with that shipment; they are not available any more after the cotton is stored (R. 1418) away. We do not keep the samples (R. 1419).

Mr. Fullbright: In my statement that Anderson Clayton & Company owned all of the stock of the Houston Compress Company, I overlooked the fact that preferred stock has been issued since the former bearing which is prac-

tically all owned by outside interests. It is not voting stock. The directors have two qualifying chairs each. The rest of the common or voting stock is owned by Anderson, Clayton & Company, which is a joint stock association. Anderson, Clayton & Company have the right of control (R. 1420).

WITNESS C. T. SCHNELL

I am Traffic Manager for Sanders & Company, Houston, and have been connected with them since August 1st, 1919. Prior to that I had considerable railroad experience. Sanders & Company are back-from-the-water-front concentrators. From the viewpoint of my firm, the order of the Interstate Commerce Commission, prescribing the one-rate plan, would be damaging (R. 1421). There is a great deal of cotton that comes in through flat, passing an interior compress, not at our orders, but in buying the cotton the freight bills accompany it and we must take it, and in taking it we are increasing our transportation charges 12¢ per hundred. The Texas Intrastate rate is the same on flat and compressed cotton, but when you put it to shipside it is an interstate movement and therefore the interstate tariff applies and the 12¢ penalty is attached (R. 1423). In the second place, between fifty and sixty percent of the cotton bought by Sanders & Company has been previously concentrated, and therefore, since the one rate plan is put in, it will force us to pay that second concentration penalty which would increase our rate from 83½¢ to 87¢. If the cotton has not passed a compress and has not been previously concentrated, so that under the order we would be [fol. 416] entitled to recover as a concentration refund the amount of our cost of delivery from the press to the ship, I would have to consult my freight bill which represents the stock on hand, and, since there are five roads into Houston, and since I would have (R. 1424) five different classes of expense bills, I would naturally have to file five different sets of claims and have to divide that up proportionately; it would be a great expense and would increase my expenses four times greater than it would be. If some portions of those split portions had been previously con-

centrated, I would have no refund coming to me then. It would be a very impractical thing for me to get my refund back. The situation with respect to Sanders & Company would be the same as the situation with any other back-from-the-water-front concentrator (R. 1425). I attend to traffic matters for other firms also, John S. Cochran, Cooper & Day, Oliver & Miller, Emerson Cotton Co., J. M. Ebel & Co., and Sample & Yervey. They all concentrate back-from-the-water-front. The same damaging results would attach to the bulk of these firms. In making up our claims for the refund of this concentration charge, we would have no way to determine from the face of the freight bill whether it had been previously concentrated or not, until the Railroad turned me down. There are a few shipments, where I know that they do concentrate, and I pay a little attention to that freight bill. There is no difference between the freight bills where the cotton is concentrated and the freight bills where the cotton is not concentrated, except that I am (R. 1426) familiar with the shippers and know the shipper of all that have used concentration. I do not know what trouble and expense the interior concentrator at Waco for instance, has in getting his concentration refund. On a shipment from Greenville, Texas, to my warehouse at 80¢ per 100 pounds, if I am going to export it and take a through bill-of-lading, I have to pay 8¢ a [fol. 417] hundred to get it to shipside, and then I have paid total transportation of 88¢, when I should pay only 83½¢, so I am entitled to a refund from the carrier of the difference between 88¢ and 83½¢ and that is what the one rate plan will force me to do. As it is now, they have an 8¢ rate that you have to pay the local out and the local in and then file your claim, or you can ship it at $8.10 a car switching and forget the rest, whichever is cheaper (R. 1430). As a practical matter these refunds cannot be collected and we will pay the shipside rate to our warehouse and pay the cost of getting the cotton from warehouse to shipside.

Cross-examination:

At the present time, in delivering the cotton from uptown to shipside, I barge some — it, dray some, and switch some. I switch a very small percentage. It might be four

or five percent. I dray the greater percent, I would not say exactly how much (R. 1438). Sanders & Company's cotton comes from Texas, Oklahoma, Arkansas and Louisiana. This past season, the greater part came from Oklahoma and Arkansas (R. 1439). The second concentration penalty, the flat cotton penalty, and the inability to get refunds that I have described exists in the interstate rate. A concentrator in the interior, shipping on a through bill-of-lading to Europe, has to use the interstate rate (R. 1440) we will assume, and if he does, he will be subjected to those penalties, but he will not have to pass a compress. If the man at Dallas passes a compress at Greenville, he would be subject to it. I want the two rate plan so that I can get the cotton down here and at my own expense carry it over to the ship. We avoid those penalties at the present time by reason of the two rate plan (R. 1441). I have been with Sanders & Company since August 1st, 1919 continuously. Mr. K. K. Womack is Manager and a partner in Sanders & Company. Our present warehouse is on the water, but is not considered a water-front warehouse (R. 1442). We can get cotton there under the present arrangement at the 80¢ rate. To barge it from there would cost us about 17¢ or 18¢ per bale. We do no business at the Houston Compress. During the time since 1922, we [fol. 418] have been handling business in the same manner (R. 1443). One change in our business since 1922 is that we use the switching lines less and the dray and barging more. That is about the only change I know about (R. 1444). Texas Lines Tariff 29-C, A. C. Sanders, I. C. C. 190, giving Interstate Railway regulations governing the concentration of cotton at Houston, under Item 50, shows that cotton may be switched to Anderson, Clayton & Company, having been brought to Houston on the Southern Pacific from Dallas, be given the concentration privilege at Anderson, Clayton's, and then re-shipped to Galveston for the export over the I. & G. N. R. R., and the tariff provides that the Southern Pacific Railroad will permit the concentration privilege on that shipment of cotton, even if it did not handle the cotton outbound from Houston to Galveston. The same reciprocal routing provision was formerly published and applied on cotton reshipped from up-town or back-of-the-water-front warehouses at Houston

to the dock at Houston, but it was cancelled, I do not know why (R. 1445). I doubt that the Railroads will restore that reciprocal arrangement in Houston. Based upon 500 pounds to the bale, it will cost me 12¢ more to get cotton to the ship under the one rate plan than it does today (R. 1446). On about three or four percent of our inbound cotton, we declare for export and take the 83½¢ rate; about 96 or 97 percent we pay 80¢ rate and move it ourselves to shipside and pay the wharfage. It is cheaper to do that because the expense of filing claim and making the 83½¢ and the necessary record to go with it, the clerical hire, is so much more than it is simply spending a dollar to get fifty cents back, so I have opposed that method all the way (R. 1447). I bought a large amount of flat cotton at Houston last year. My percentage is running on flat cotton about 25 percent, but that is mainly cotton that the other seller turns over to me, or rather turns the expense bills over to me and I have to bear the burden. The cotton we bought in Arkansas, Oklahoma, and Louisiana, did not [fol. 419] move from those states to Houston flat, except from Louisiana where there is no compress intermediate. I have some couple of hundred bales right now which moved flat from the others. We move in from Louisiana about 40,000 bales; I do not know about the other states separately. I am opposed to the one rate plan (R. 1449). I want the 12¢ penalty removed. I believe that I would not prefer to have the penalty under the two rate plan (R. 1450). I file concentrations claims now on export cotton, I think on about three or four percent. On the rest of the cotton going to the dock, I do not want any concentration (R. 1451). If the one rate plan is put in I would be compelled to take concentration on all cotton to the docks. I think my cotton movement is pretty well divided between the drays and the barges. We have two presses, and the same is true at both places (R. 1453). Only that part of the Louisiana cotton that is this side of the compresses comes in flat. There is a long distance between the first Louisiana compress and Houston. There is no compress at Beaumont. That flat cotton is divided between Gulf Coast Lines and the Southern Pacific from New Orleans. All cotton from Shreveport is compressed. The 25% of

flat cotton I spoke of was strictly penalty cotton. A small percent of my cotton came from Texas this year, on account of the drouth. None of the Oklahoma cotton comes flat. A little cotton comes from Arkansas flat (R. 1454). I should think that the actual expense of getting cotton from the compress to the shipside is in excess of 3½¢ per 100 pounds. I did not understand your question; I am thinking about the one rate plan. Until I file my claims and keep all the records and the additional expense that goes with it, I will have to pay more than if I let it come at the one rate plan and bear all of the other expenses myself and leave the Railroad companies to rest when they deliver the cotton. I can handle it for less than 3½¢ per 100 pounds (R. 1455). On 96 or 97 per cent of our cotton the [fol. 420] railroad service ceased when they delivered it to us and I have nothing more to do with them. The only adjustment that I have with the railroad is on the 3 or 4 per cent that I do declare for export. They handle it down to the dock. If I switch it down, I pay the $8.10 myself and do not spend a dollar to get fifty cents back (R. 1456). In my experience with Sanders & Co. I do not think that we have shipped more than two or three hundred thousand bales to New England to my knowledge. We shipped to [fol. 421] the Southeast, all-rail, very little. This year has been my largest year with Sanders & Company in the Southeast and five thousand bales will cover that. The cotton we shipped to New England goes on through rate. We file concentration claims on that (R. 1457). I answered the question a little too fast. I have not filed a single claim on New England cotton. On the Southeast, I would file a claim. We do not get a compressing allowance on the flat cotton that comes in to us. If the bill-of-lading is the carrier's privilege of compression, I get it (R. 1459).

WITNESS W. L. CLAYTON.

My residence is Houston, Texas; my occupation cotton merchant. I am a member of the firm of Anderson, Clayton & Company. We buy cotton and ship cotton from points in the cotton producing territory in the Southwest. I had 32 years' experience as a cotton man on my own

account in the Southwest; I resided for twelve years at Oklahoma City and for the last ten years in Houston, but my experience in the cotton business extends throughout the cotton producing section of the Southwest (R. 1458-A). I am familiar with the methods pursued by cotton merchants in producing, handling, and distributing cotton. We have merchants who concentrate all of their cotton in the interior, some who concentrate all of their cotton at the ports, and some who concentrate a portion in the interior and a portion at the port. I understand concentration as a merchandising service to be the same as concentration as a transit privilege granted by the Railroad Company. I have studied the issues in this case and the Order of the Commission (R. 1459). Under the present two-rate plan, a merchant at Houston buying cotton north of Greenville for concentration at Houston would pay into Houston to the Railroad Company 80¢ per 100 pounds. He would ob- [fol. 422] tain from the Railroad Company 1¢ per 100 pounds for unloading of the cotton, making the net cost to him 79¢. If he exported this cotton at the port of Houston, it would cost him approximately 3½¢ to put it to shipside, making the total cost 82½¢. The merchant who concentrated his cotton at Greenville would pay 83½¢ to put his cotton to shipside on through bill-of-lading, which apparently makes an advantage of 1¢ per 100 pounds to the port concentrator, but in fact this is not the case. The 1¢ per 100 pounds is absorbed by the unloading charge which the Houston concentrator must pay to the warehouse company handling the cotton for him. The port merchant who utilizes port concentration buys a certain proportion of his cotton that has been previously concentrated in the interior, or given a concentration privilege by the railroads (R. 1460). He cannot determine what proportion of cotton he is buying of first and second concentration, because he often buys from f. o. b. merchants in the interior who have already concentrated a portion of it at some of the interior concentrating points. The primary gatherers of cotton themselves concentrate their cotton at compresses at the interior for the purpose of merchandising it to the shippers or exporters. They think, and I dare say they are correct, that by so doing they obtain for their cotton a better market price than under the former system of

selling it at the primary point in the interior. They concentrate at the compress, have samples drawn, split the samples, in some cases, sending one set of samples to a market like Dallas, for instance, and another set to a market like Oklahoma City, or perhaps one set to Dallas and one to Houston, and selling the cotton on the samples to the merchants in those markets. In recent years, there has grown up quite a business of cotton brokerage in these markets. I am informed that there are thirty cotton brokers in Dallas who sell cotton on samples in this manner. The broker will take the samples and sell the cotton; it is not often in round lots; it is mixed lots on samples (R. 1461) on the merits of the cotton as to grade and staple as [fol. 423] opposed to the other method of describing the cotton or rather selling it basis middling and naming the point fom which it came. There are not many farmers who use that method in Texas or Oklahoma, but there are many of what we term line gin companies, gin companies who have a number of gins, who buy the cotton from the farmer either in the seed or in the bale and concentrate it in that way and sell it in the manner I have described. There are also cotton dealers in these small towns, or f. o. b. merchants who, as I have said, handle it in the same way. If the port concentrator and the interior concentrator are both bidding for the cotton at the primary point, the interior concentrator calculates all the way from nothing to 25¢ a bale as the cost of concentration service by the compress company, which he pays to the compress company; it costs at Houston about 50¢ per bale. Therefore, if the two are competing for the cotton at the primary market, the interior merchant has calculated 25¢ per bale for the service and we at Houson have calculated 50¢ per bale for the service, making a difference of 25¢ (Record 1462) against the Houston concentrator. If the cotton has been concentrated by the primary gatherer before he offers it for sale, he himself has already performed and pays for that service, so that the Houston man must calculate still 50¢ per bale and the interior man nothing. It is necessary that each merchant concentrate his cotton in some way before selling it to the spinners or consumers. That is true because cotton is grown and merchandised primarily in many different grades. It is sold and consumed in even

running lots to the consumer. If the f. o. b. man has assembled 100 bales of cotton which he sells as of a certain grade at an interior point he has thereby performed a concentration service by getting that together. The port merchant must utilize another concentration or gathering service of the cotton at the port, because he has his facilities at the port. He has all of his arrangement for classing [fol. 424] and handling his cotton by the compress company, he is a port concentrator. He does his business in that way (R. 1463). No cotton shipper will ship cotton to his customers on somebody else's classification. He is going to class his cotton himself. The country storekeeper, [fol. 425] who has 25 or 30 bales of cotton, does his classification when he buys his cotton, but he will sometimes sell it to a man at Houston to be accounted for and classed and settled for as to classification on its arrival at Houston. Under the one-rate plan if the rate is made at 83½¢, for instance, we can use any rate, the point being that 3½¢ differential is abolished; the rate is (R. 1464) 83½¢; a Greenville man today goes to shipside for 83½¢. Under the one-rate plan the port concentrator would have to pay 83½¢ plus 1¢ per 100 pounds, making 84½¢. This 1¢ per 100 pounds is paid to a port compress for unloading the cotton from railroad cars on its arrival, so that under the one-rate plan, even on first concentration, the port concentrator is put at a disadvantage to the interior concentrator to the extent of 1¢ per 100 pounds. He does not get a refund from the carrier for the loading, if it is concentrated. The one-rate plan provides that every lot of cotton must have a concentration claim filed against it in order to protect the 83½¢ to the man back of the water front, and under the interstate tariff he is not permitted to collect that 1¢ from the Railroad if he files a concentration claim, so that he must pay 83½¢ to the Railroad plus 1¢ per 100 pounds to the compress, making 84½¢ to get to shipside against 83½¢ to the interior concentrator. If a cotton broker at Dallas has a certain lot of cotton at Greenville at the compress, and if the cotton is sold to the interior concentrator, the latter can assemble that cotton in such lots as he pleases at Greenville where it all is and ship it through without any additional cost. He pays no concentration charge, no transit privilege at all, being a

free first concentration (R. 1465). The Houston broker or exporter could do identically the same thing, but he would become an interior concentrator instead of a port concentrator. It would change the nature of his business. That is important. He not only does not get the concentration at his own facility, but cotton merchants who do not own their own facilities, but who live at the port market, prefer to have all their cotton come into the port where it can be at once placed where they can see it, supervise [fol. 426] its handling and classing and every operation connected with it (R. 1466).

Not only would the port concentrator be at a disadvantage as compared to the interior concentrator of 1 cent per hundred pounds even on the first concentration, but a small shipper at the port, having only two or three hundred bales at a warehouse, wanting to get that cotton to shipside under the one-rate plan, would be at a serious disadvantage in taking advantage of the concentration (R. 1468) privilege which the one rate plan would give him, because of the fact that he might have expense bills on the two hundred bales of cotton from half a dozen different railroads, whereas he has got to ship out over one railroad, and to ship out over one railroad he ought to load not less than fifty bales to the car. In the interior, Greenville for instance, there is only one compress. All the cotton is handled at one point, so that the lots can be accumulated and the cotton rate is an any-quantity rate, so that if he only has fifteen bales on one road he can ship out 15 bales on that road and get his concentration claim protected. Also, in regard to cotton which finds its way to the port uncompressed, having passed in transit a compress, in order to avail one's self at the port of the concentration privilege under the one-rate plan on such cotton, one would be penalized 12¢ per 100 lbs. because of the fact that the cotton is flat and has passed the compress. This is due to the fact that the shipper must make his concentration claim under an inter-state tariff which provides that penalty. His only other alternative is to deprive himself of the concentration privilege and deliver it at his own expense to the water front, 83½¢ in, plus 3½¢ to the water front, 87¢ (R. 1469).

We never make a claim against the Railroad Company for concentration at Houston on export cotton loaded at

the port of Houston. We never use the interstate rate. We use the intra-state rate because that rate is 80¢ per 100 lbs. less 1¢ for unloading, 79¢, which the shipper pays, [fol. 427] plus 3½¢ to the shipside, making 82½¢. If we made a claim under the interstate rate, the cost is 83½¢, so for obvious reasons we never make a claim. It is cheaper to do it ourselves. We save the 1¢ per 100 lbs. for unloading, as I have explained, and we save the delay in getting our money back on the claim, we save clerk hire in making the (R. 1471) record and keeping up with the claims and filing them with the Railroads. At times we can load 50 bales to the car, in which case the cost is 6.2, in other cases we only load one bale to the car and the cost is 8.1, so that in some cases we actually make a saving on the physical matter of transferring the cotton from the plant uptown to our compress at shipside while in others we do not. That includes the switching and handling in addition to which there is a charge for unloading on the docks. We never have a second concentration to contend with under the present two-rate plan. It is a merchants concentration and the railroad has nothing to do with it. Any concentration is for the benefit and advantage of the merchant (R. 1472). Concentration in the interior, is a concentration in the strict sense; it is also a merchants concentration only. If the railroads did not grant a transit privilege in the interior, the interior merchant could not concentrate, because it would be prohibitive for him to pay a local rate in, and another local rate out. It would make his freight rate so high as to put him out of competition with the port. At a large cotton producing point, where there was a compress, he could do a certain amount of concentration without having any privilege from the railroad, to the extent of the local cotton that he purchased (R. 1473). The interior concentration privilege is purely for the advantage and convenience of the interior cotton merchant.

On cotton which is concentrated a second time, under the one rate plan, the cost to the port concentrator would be 83½¢ into his warehouse at the port, plus 1¢ unloading charge, plus 3½¢ delivery to shipside, making 88¢, so that he would be at a disadvantage as compared with the interior man to the extent of 4½¢ on all second concentra-

tion cotton which we handle. I do not believe there is much so-called second concentration in the interior. I can. [fol. 428] not conceive of very much need for it. Where second concentration was taken at an interior point and double concentration at a port, the port would be penalized for the double concentration in the amount of four and one-half (4½¢) cents over the interior concentrator (R. 1474). The additional expense over the eighty-four and one-half (84½¢) cents, which the port merchant would have to pay out of his pocket, is due to the fact that it would be a second concentration in case he files a claim, but there would be nothing gained in that case because the penalty for second concentration would absorb the amount that would be returned. The penalty for second concentration is three and one-half (3½¢) cents (R. 1475). The rate plan would put the port merchant in the position where a large proportion of his cotton would have been previously concentrated without his consent and in such a way that it would be of no benefit to him. Our second concentration cotton is about fifty percent (50%) of our total volume of square bale business only at the port of Houston, according to our traffic manager. I believe that concentration and storage are considered the same (R. 1476). If the interior man took a first and second concentration and the port man took a first and second concentration, the port man would still be out one (1¢) cent per hundred pounds for the unloading (R. 1477). If there were a charge of three and one-half (3½¢) cents for the first concentration under the one rate plan, and a charge of three and one-half (3½¢) cents for second concentration, the interior merchant would pay eighty-three and one-half (83½¢) cents to shipside plus three and one-half (3½¢) cents for interior concentration privileges, making eighty-seven (87¢) cents, the port merchant would pay eighty-three and one-half (83½¢) cents plus three and one-half (3½¢) cents to get shipside, making eighty-seven (87¢) cents, plus one (1¢) cent for the unloading of his warehouse, making eighty-eight (88¢) cents, and would still be at a disadvantage of one (1¢) cent per one hundred pounds (R. 1478).

The through bill of lading privilege is very valuable to the interior merchant, principally on account of the saving in interest to him. He can get his money as soon as the

bill of lading is signed, whereas if he must wait until the [fol. 429] cotton is shipped to the port and he obtains a port bill of lading or an ocean bill of lading, he loses that interval of time. That is of substantial importance. The interest on a bale of cotton at twenty (20¢) cents per pound at an interest rate of six (6%) percent per annum is about one and one-half (1½¢) cents per day (R. 1479). The turnover of the capital is also of substantial advantage. One of the factors of limitations of the volume of business that any cotton merchant can do is capital. He borrows most of his money from the banks, but he must have capital to establish credit. A through export bill of lading practically insures to the interior merchant that he is through looking after the cotton and has his money. Another advantage is that the transportation company makes for him a through transportation arrangement; he does not have to provide any resting place or delivery place for his cotton at the port. He is not troubled about demurrage at the port. We ourselves have in one or two years paid very large sums to the railroad companies for demurrage. I think that the factor of possible liability for demurrage is of great importance as the question of being able to be freed from the responsibility to provide storage or handling facilities at the port. It seems to me that it is of substantial advantage to have storage provided in the railroad cars for the very large amount of free time that is given on the through bill of lading. I think that while the cotton is held under the free time under the export bill of lading, there is a common carrier's liability which carries with it the insurance of the common carrier. After the forty-eight hours free time on the local shipments, it would be only a warehouse's liability and not an insurer's liability (R. 1481).

Merchandising processes performed by the interior man are of no advantage to the port merchant who can ship cotton to customers only on his own classification. A great deal of cotton is sold not on description but according to [fol. 430] types which have been established with a mercant's customers for years, given a name, and the cotton classed equal to those types. It is very rare that a merchant, interior or port, will take some other merchant's classification in order to determine whether or not it came within

those types. It is of economic advantage to the industry that large storage facilities be provided for cotton, and also financing arrangements made for the convenience of carrying of cotton in large quantities (R. 1482). About eighty-five (85%) percent of the cotton crop is generally marketed by the grower within a period of three of four months. It will take about ten months to consums the same quantity. In the interim, storage space must be provided somewhere for the protection of the cotton, where negotiable warehouse receipts can be obtained for the purpose of financing and where satisfactory insurance can be obtained at reasonable rates. When shipments of cotton from the interior are delivered in the warehouse at the Houston Compress Company at Houston to our firm, we do not know when they will be shipped out or to what destination. The cotton comes in in many different grades. When we buy it we do not know of what grade it consists except on rare occasions. We usually buy cotton in the interior basis middling and ship it down to the ports and do not know where it is eventually destined until it is classed, and many times we don't know even then because in some years we carry large stocks of cotton which has not at the time of being classed been sold. In the selling of cotton for export to export markets, a cotton exporter has to make shipments to many different points at the same time, even under a small volume of business. My firm ships regularly to about fifteen foreign destinations and irregularly to four or five or six others. The orders from spinners are usually for certain particular types or grades. They are often partly for one type and partly for another type. In the case of shipments to Italy for instance one steamer might take for one shipper cotton for 15 or 20 different buyers or spinners (R. 1484). Our firm does not give any instruc- [fol. 431] tions to the Houston Compress Company as to how ships shall be berthed or where they shall be located or at which berth they shall be located to receive the cotton. In regard to why our firm has invested money in organizing the Houston Compress Company, we concentrate at our Houston facility all the cotton which we produce in Oklahoma and Texas and some of the cotton which we produce in Louisiana and Arkansas. The volume is large and the principal advantage to us in Houston concentration is the bringing of this large volume of cotton into one point under

one supervision, instead of having it scattered out among compress points in the interior of these four states. We also concentrate at Houston some cotton bought in New Mexico, a small quantity only, some bought in Arizona and some bought in California. We utilize the services of many steamship lines (R. 1485). We have no special arrangements with any particular line for giving a preference to that line. It is necessary for our firm to ship its cotton out at numerous berths or piers. Often we are shipping cotton to a number of destinations at the same time; it may be ten different destinations in one day or in a period of two or three days. If we have a warehouse with only one loading berth, we are at a serious disadvantage; we are at a disadvantage in a somewhat less degree with two, three, or four. If we had adjacent to our warehouse loading berths for all of the destinations to which we are shipping at the same time, then only could we move our cotton from the warehouse promptly to the loading berths and obtain an outbound or ocean bill of lading for it. Every day during the active cotton season from September 1st to March 1st, our warehouse gets orders for shipment (R. 1486) of cotton in excess of the capacity of our own loading berths. We must either let the cotton remain in the warehouse less interest at the rate of 1½¢ per bale per day, storage of about 1¢ a bale a day, and a fraction of a cent for insurance, or else load the cotton in the cars and move it to some other wharf. That is brought about by the fact that there are so many destinations to which cotton may go and there-
[fol. 432] fore so many different lines of ships that must handle it. There is hardly a day in the year when Mr. Kempner in Galveston could not put his cotton on a dray in the morning and get it to shipside to any of the customary destinations to which cotton is shipped and obtain a bill of lading for it on that same day or the next morning. I understand there are over 30 loading berths or piers in Galveston. If we should confine our business exclusively to (R. 1487) the loading berths of our Long Reach plant, we could only ship to 4 at one time and those berths must be relieved before we can proceed with other shipments. We ship cotton out by rail from our Long Reach warehouse to Galveston and there load it on ships. We also ship to New Orleans at times and load it on ships there. The ex-

pedition in the movement of cotton to points where a shipping document on which they can get money can be obtained is very important to cotton merchants as is the saving of interest, storage and insurance. Often at the end of a month we have on our books orders or old sales for large quantities of cotton to be shipped out on a bill of lading dated in that month, so that if our loading berths at Long Reach are full, we run the risk of defaulting on our shipments, and must either make arrangements for an extension of time or else move the cotton to some other loading berth (R. 1488).

The port concentrator must himself pay all of the charges incident to compresson and handling of his cotton by the compress, even including the cost of compression. It is true that the ocean steamship rates on high density cotton are 15¢ per 100 pounds less than on standard density cotton. The interior concentrator does not pay any charge to [fol. 433] the compress for the compression of his cotton. It is paid by the railroad company and is included in the railroad rate. That charge or allowance in Oklahoma and Texas at the present time is 18¢ per 100 pounds. It is my contention that this charge is exorbitant, and to the extent that it is, it gives the interior concentrator the opportunity to trade with the compress which handles his cotton for the concentration or merchandising service at less than the actual cost of that service. The interior concentrator in nearly every case has the choice of one or two points at which he may concentrate. The point chosen by him is the point at which the cotton is also compressed for the benefit of the carrier and paid for by the carrier. It therefore follows if the allowance received by the interior compress is a very attractive one, they are in position, and I contend that they do, to shrink that allowance by performing a service for the interior concentrator at less than the cost of that service (R. 1489). In some instances the service is performed free. In others it is performed for 15¢ per bale, and in others for 25¢ per bale. It is my contention that if the compress company should, as a consideration to receiving the designation of its plant as a concentrating and compressing point for 100 bales of cotton, for which it receives 18¢ per 100 pounds, turn around and give 2¢ per 100 pounds of that sum in cash to the shipper, the effect

and the result is no different than if that compress company gives the equivalent of that sum in free service to the shipper. The compression in transit service of an interior compress consists of unloading the cotton from the cars, weighing it, compressing it, and loading it back into the cars. It may be the same car or it may be a set of cars on the otherside of the plant, and the cotton then goes on to its destination. There is a substantial amount of additional service involved when cotton is given a concentration service for the merchant by the interior compress (R. 1489-A).

I do not think there is any general charge for compression at the ports, because it is covered by no tariff over which any commission has any jurisdiction, and I am afraid it is the subject of trading. We are supposed to get 75¢ per bale for high density, but it is the custom at Houston, [fol. 434] Galveston and New Orleans to make delivery to shipside out of that charge. The regular rate for standard compression, however, which is the service which the interior compresses perform for account of the railroad, is 60¢ per bale. That applies in Houston, New Orleans, and Galveston. The service of standard compression is a cheaper service than that of high density compression. A good deal more cotton can be put through a compress machine to standard density in a given time than to high density. The labor employed is the same, the number of men making the (R. 1490) unit cost greater for the high density than for the standard density. I can say there is a difference in cost of 15¢ per bale. In the interior I believe the interior presses which have high density attachment make a charge usually of 25¢ per bale, perhaps some of them 35¢ per bale, for performing the high density service at the time they perform the compression service for the account of the railroad. The additional charge is assessed against the shipper. The greater proportion of the cotton received by my firm at Houston is compressed to standard density before arriving here. No substantial movement of cotton comes into our Houston plant which passes an interior compress without being compressed (R. 1491). However, there is a substantial quantity of cotton which comes to Houston generally in flat form uncompressed which has passed a compress in the interior. Trade

custom extending over many years is responsible for this in the case of factor's cotton. Some farmers ship in to factors uncompressed. Some prefer to have their cotton go through to the factor in its original form. Therefore, when we buy this cotton in Houston from the factor, we must take it as we find it. Where we are shipping cotton from a short rate point, where the railroad will absorb only a part of the standard density compression, it is not of any advantage to our firm to pay an additional part or a part of that standard density compression. In those cases, I think it is the practice of my firm at times to direct that that cotton be shipped past the compress, because we cannot get the absorption of all of the compression charge and what we paid out would be just so much lost (R. 1492). Where the cost to us to get the cotton to Houston is the same whether it be compressed to standard density or not, there is no substantial difference so far as our ability to handle it. It is a little more desirable to have it in com- [fol. 435] pressed form, but there is not much difference. We do not instruct that it come through uncompressed. We have that right but we do not do so. It costs this firm at their plant approximately 50 cents per bale to perform all the merchandising service in connection with a bale of cotton without figuring any interest on their investment for our facilities. The calculation that it only costs a quarter at the interior is based upon the competition between the compresses in the interior which has kept their charge down and they are able to do so because they collect from the railroad company about 94 cents per bale, 18 cents per 100 pounds to be exact for compressing their cotton (R. 1493).

We compress cotton at Houston when it is to be shipped through Galveston. I am under the impression that we compress some cotton for the carriers at Houston. We get the tariff rate of 90¢ when we do (R. 1494). I do not think there is any substantial difference between the services performed in connection with the merchandising of cotton in transit at the interior points and the services performed for the same purpose at our plant. The method is not exactly the same, but I do not think there is any substantial difference in the cost. If so, it is more costly in the interior than at the ports. The method we use at

the ports is to unload the cotton from the cars on the receiving platform, weigh it, and then sample. It is left in the position in which it has been placed on the receiving platform until it is classed. The classification is then (R. 1495) applied to the tag on the bale, each bale having its own classification. The cotton is then trucked to the trolley and trollied to the high density presses, where it is compressed to high density. We use the same service and the same press when we compress to standard density, the only difference being that the side doors are not used for standard compression. After the cotton is compressed to high density, it is segregated in the press room and the room next to the press room and placed into marks of 50 or 100 bales of the same grade in each mark. It is then stored according to grade or mark, and when it is shipped out it is taken out 50 bales or 100 bales even running which is all in [fol. 436] the same place usually and sent to destination (R. 1496). I think that is substantially the method used by all port concentrators. The system used at the interior at those presses of which I have knowledge is different. The cotton is unloaded from the cars, weighed, sampled, tagged, and then trucked to a place of storage in the warehouse, at which point it remains until the shipper orders it out, not by grade or mark, but by individual bale numbers, so that the interior press must pick these bales out of all of the cotton which they have stored for that particular shipper. I think that is a somewhat more expensive service than the way we handle it of first segregating and storing according to mark and grade. I am talking now about concentration and not merely compression in transit (R. [fol. 437] 1497). In the compression in transit, there would be none of that storing back or selection of bales by number. It is also sometimes necessary in the interior press to tier the cotton, that is putting some bales on top of other bales, in times of congestion or heavy movement. If the shipper has 2,000 bales of cotton at the interior press, it is assembled from the various country stations and will be in a number of different grades or types; therefore, to take any given number out of that, you would have to pick over the whole amount and you have no way to segregate them according to grades and types, because they have not been graded before they were stored away. I

think that segregation at that time is a little more expensive than the way we do it, but I do not state that as a positive fact (R. 1498). The handling of the samples at the interior press is usually done as a part of the concentration service. The interior compress not only receives the cotton for the interior concentrator, receipts for it to the railroad, but in many instances it performs practically every merchandising service that the interior concentrator requires, short of classing, financing, selling and invoicing the cotton. They pay his freight for him, draw on him with freight bills and compression tags attached, surrender his bill of lading to the railroad company, issue for his benefit and use a negotiable warehouse receipt, take care of the cotton until he is ready to order it out, giving him in every case 15 days free storage and in some cases 30 days. When he is ready to ship out, he sends his list by number to the compress company accompanied by his compress ticket, they get his bill of lading signed for him and send it to whatever point he directs. They also of course sample the cotton for him and express the samples to him. In 1904 when I went to Oklahoma to enter the cotton business (R. 1499) the rate of compression was 10¢ per 100 pounds. We cotton merchants, according to my best recollection, paid the compressers for no service whatsoever. Even the storage was free, indefinitely. There was a general storage business of cotton done at interior compress points at that time. I do not think it was done to the extent that it is done today. The compresses had very poor storage facilities, and what the shipper got for nothing was worth nothing so far as storage was concerned. His cotton was usually damaged. Just the same [fol. 438] many of them left it there free of charge for long periods of time (R. 1500). Interior compresses today in Oklahoma issue individual bale receipts for cotton stored with them. I am not sure about the practice in Texas, because we have never, I believe, concentrated any cotton in the interior in Texas, but we have in Oklahoma until one year ago.

We did not start this proceeding; we do not now wish to say that if the present two rate plan be continued that we withdraw the request for investigation of the interior practices of concentration and a proper regulation of the

same. Our contention is that each one of these special services should now stand on its own merit, and be charged for if found to warrant the charge.

The production in Texas this year is about 4,000,000 bales. In the interests of the actual producer of this cotton, we should have both interior and port concentration privileges. I think, however, that the concentration privilege, whether it be the first or second or third, should be paid for so that those merchants who merchandise their cotton by some process not requiring concentration should not have to have included in their rate sufficient to cover the cost to the railroad company of performing a free concentration (R. 1502). I think that the first concentration when performed at the compress where the cotton is compressed should be charged for. I think that so-called first concentration when performed at some place other than where the cotton is compressed, should be charged more for. It is really not first concentration; in fact, it is second concentration so far as the cost to the carrier is concerned. It is true that not only the cost of the freight, but the collateral or additional cost of handling cotton, is taken into consideration by the initial purchaser of cotton from the producer in the smaller towns. The commodity must pay the toll (R. 1503). The interior compression allowance gives the interior concentrator leverage in getting his concentration and merchandising service performed for less than cost and we would like to be relieved of this [fol. 439] discrimination. The most desirable plan is that which brings most to the producer. The best results are obtained by having both interior and port concentration, but the best method should be left to natural economic laws and no Commission should palsy the arm of progress by trying to pull back the man who has found some different method which may be a little less expensive than the old method. If we are going to have progress we won't get it in that way and in the end the benefit of progress is bound to inure to the producer and consumer. We middlemen are always seeking to narrow the economic gap between the producer and consumer. That's the only justification for our existence. In buying cotton in the interior today, we either figure 83½¢ as the export rate, or we figure

80¢ plus the cost of getting it shipside, which is the same in either case. The 80¢ rate is the usual quoted rate. Any additional matter taken into consideration would relate to the actual cost or additional cost of handling cotton (R. 1504). If the rate should be 83¢ in all cases instead of 80¢ and 83½¢, it would have a tendency to make the producer get less out of his cotton than he does today under the 80¢ rate, in the case of the port concentrator who would be compelled to figure in his limits a greater cost of transportation than under the present plan (R. 1505). When cotton comes in for our firm at Houston which has been compressed to standard density in the interior, we have it sampled here. It is necessary to recondition that cotton after it was sampled to put it in good shape for transportation. In the interior, the compressing takes place after the sampling, so that an interior concentrator can order 100 bales of cotton shipped and it is then compressed, put in good condition, sample holes covered by patching, and then go on to destination. At the ports, if we are to send to our customers as good a package as our interior competitors, we are compelled also to compress that cotton here, whether it has been compressed in the interior or not. Otherwise we would send to Europe a ragged package, the packing of which has been cut on both sides, subject to damage and pilferage. Ships will take that kind of cotton, I think, but not on a clean bill of lading (R. 1506).

[fol. 440] Cross-examination:

Our firm does a very lage volume of business, and I believe on that basis we are one of the largest (R. 1507). We have in Houston some advantages in getting more of our cotton concentrated at one point, we have some slight advantage in insurance rates due to our superior construction of our werehouses, and if the concentration charge of 25¢ to the interior concentrator and 50¢ to us were the only factor, naturally we could not compete at all. The interior concentrator would not be able to bid a better price to the producer for we have some offsetting advantages (R. 1508). His allowance for the interior concentration has the effect of putting him nearer on a parity with us. We claim that is a discrimination, because he obtains that differential against us by reason of the fact that the facilities perform-

ing that service for him is overpaid by the railroad company, who in turn collected from the producer. The beneficiary of that is not the producer; he pays it back in the compress allowance of 18¢ (R. 1509). The 18 cent allowance paid to the compress company is deducted from the price all of us pay to the producer, and by reason of that 18 cents being as we claim exorbitant, the compress facility can and does give his services to the interior merchant who is our competitor at less than cost. The effect of using through bills of lading was certainly a good thing and a benefit to the producer (R. 1510). We buy a good deal of cotton all over the country. If we get an order for 1000 bales of cotton and do not have it in stock, we buy it wherever we can get it, in the Houston market, the Galveston [fol. 441] market, or in the interior. We prefer to buy our cotton in the country in small lots at the primary market. I do not believe it is of any particular advantage to us to be able to go to the places where we can buy 100 bales of concentrated cotton or 200 bales. At any rate, it would be of no advantage to us to have it in the interior as against having it at the ports. We like to perform as much of the merchandising service as we can between the producer and the consumer. We do not buy from the farmers but we do try to buy from the man who does buy from the farmer and then sell to the mill itself, not to some other middle man (R. 1511). If a man raises 20 bales of cotton, it is possible for him to go into one of these interior concentrators, sell his cotton, and get his money and stop the interest at the country stores just like the merchants. In purchasing cotton, we very often send a man to pass on the grade (R. 1512). We buy a great deal of Houston weight and grade, shipped down here and classed and weighed. We buy both ways. We do not buy cotton for any specific grade but basis middling and the grade is agreed upon between our man and the seller. We bring the cotton here and fix it up in even running grades and store it in lots of even running grades. On some of our business, we have established in the European merchants, at Barcelona, Trieste, or Havre, a grade of cotton and give it a name. We keep stock at some of those European ports (R. 1513). It has many of the same factors and elements as an ordinary merchandising transaction of a wholesale

merchant. When we buy at a Texas common point, we have it shipped to Anderson, Clayton & Co. at Houston on the domestic rate; we do not know what we are going to do with that cotton. It depends on what its real grade is. We have it switched over to the Houston compress warehouse and unloaded. It is then put through the grading process (R. 1514). Our warehouse is full of cotton that has come in on this 80¢ rate from the 1st of September until the 1st of March, sometimes it overflows and we are compelled to seek storage room in other warehouses. In that procedure, it makes no difference to us whether that cotton has been concentrated in the interior before or not; it still comes to [fol. 442] us on the 80¢ rate. The railroad is done with it when they deliver to us. They allow us 1¢ per 100 pounds for unloading it (R. 1515). I do not know when we get it. The back from the water front man gets to 100 bales of cotton to his place in the same way. He handles it practically in the same way. When he wants to get it to the ship, he drays or switches or barges it there. He does not in practice apply the inter-state rate on any export cotton in [fol. 443] the port of Houston. I do not admit that the back from the water front man has to pay 3½¢ to get the cotton from his plant to the water front (R. 1516). The distance in commerce or in industry these days is measured not so much in feet or inches or miles as it is in dollars. And my contention is, measured in dollars, that we are just about as far at the Long Reach warehouse from the ship's berths as for instance my freind, Mr. Kempner, in Galveston is (R. 1517). My contention is that, everything considered, the investments that we have over and above the investment in a plant back from water front for handling cotton in the cars, the extra investment that we have in our trolley system, and the investment of over $150,000.00 equivalent to an ordinary railroad five miles long, and the disadvantage which we suffer by reason of being compelled many times to let our cotton lie in warehouse on interest and storage because the loading berths at Long Reach wharfs are full and cannot receive the cotton, puts us where there is very little, practically very little, difference between us at the water front and the man back of the water front. I use the expression "water front", because all of the rest of us use it. I deny that there is really any water front

warehouse in Houston. At the time of the original hearing, we had started a trolley system in our plant, but it was on a much smaller scale than it is today (R. 1518). The substitution of a trolley system for hand trucking was a matter of our choice. It was not a question of convenience. It was absolutely essential that we have a trolley system on the plan that the Long Reach plan was constructed on. The whole plant and warehouses are built around the trolley system. If we undertook with that long plant and the area that it covers to truck the cotton by hand, we would not be able to take care of both the cotton and the negroes that would be necessary to handle it. The compresses back of the water front are of considerable size. If they move cotton by a switch, it is necessary for them to have the negroes and the truck to truck it from where it is in the compress to the point where they can put it in the cars (R. 1519). If they put it in by drays, it is necessary to truck it from its location in the compress to the point where they can load it in the drays. I contend that the expense [fol. 444] incurred by the man back of the water front loading into a dray or into a car, as contrasted with the expense that we have of handling our cotton, everything considered, is not nearly so great as ours. The man back of the water front can usually put his car, which usually takes at the most 100 bales of cotton, at a point directly opposite that cotton, but in spite of the impression which seems to prevail that we can slightly shift up and down our wharf until the hatch is opposite the bale, that is not possible. The size of our compress and the amount of business that we do is a factor and enters into it, but my answer to that is that a combined warehouse and wharf business with one loading berth, is economically impracticable and anyone attempting it will find that 50 to 75 (R. 1520) percent of their cotton must go to some other loading berth; otherwise they will lose more in interest and storage waiting to get in that berth than they could have saved (R. 1521). It is my considered opinion based upon the accounts and operations of the Long Reach warehouse and wharf and supported by cost figures that we have not succeeded in shrinking the 3½¢ cost of delivery materially, if at all. I don't think that we have any cotton that Anderson, Clayton & Co. purchases shipped in to us on the 83½¢ rate (R.

1522). I do not want the smaller man who can do business a little cheaper on account of his small size charged with the expensive methods of doing business required by large plants. That does not operate against the small man. You are contending that we at the so-called waterfront plant can get our cotton to shipside cheaper than the man back of the waterfront. I think it is not so much a question of size but my contention is that everything considered that is not possible. We cannot get it to shipside any cheaper than he can. Mind you I am not agreeing with the principle which I think is a false economic principle that if we could do it that we should then be charged by the railroad company more freight money on the cotton than the man back of the waterfront. We have not introduced an exhibit giving an analysis of our cost of handling by the trolley system, but what I am stating is not just my idea. I follow [fol. 445] the operations of our Long Reach Warehouse and wharfs very closely. While I do not visit it very often, I watch every individual operation. I know how much money comes in and how much goes out every month. I study the accounts. I know in a general way the method of operation and it is my considered opinion, backed up very largely by cost figures, that we have not succeeded in materially, if at all, shrinking that 3½ cents that we are all talking about. The concentration and the benefits of merchandising at the terminal points which we get cost us a good deal, but nothing from a railroad standpoint, if we export the cotton. We haven't got it to shipside when we put it in our warehouse. We do not by this method beat the export rate. When we take into account our increased investment and our increased costs due to the fact that we have built a warehouse from which we attempt to take cotton by trolley direct to the loading berth, considering our heavy investment in the trolley railway system, considering the loss of interest and storage and insurance in waiting until we get into the loading berth it is my opinion that we have not defeated the export rate and that we do not have any substantial advantage over the man back from the waterfront. When I speak of these additional warehouse charges, I do not refer to a payment from Anderson, Clayton & Co. to the Houston Compress Co.; I speak of it in the sense of the absolute cost of warehousing (R. 1524).

We have bought a warehouse called the Alabo Warehouse at New Orleans. When completed it will be in practically identically the same situation as the Houston Compress on the water front here. It started in operation last October. It seems that we will never complete it (R. 1525) (R. 1526). The Houston Compress Company may have solicited business by setting forth the facts that by using their facilities there would be a saving of 18¢, but they made a charge, I think, of 50¢ per bale for performing the service of handling the cotton. The 50¢ was addition for what they received for their high density compress. The ocean rate is 55¢ per 100 pounds less on high density than on standard. If cot-
[fol 446] ton is shipped to the Houston Compress Company by other people than Anderson, Clayton & Co. they do not undertake to do the services that were done for Anderson, Clayton for 75¢. The difference is that the cotton which comes down to be densitied is stopped in the
[fol. 447] car opposite the compress, it comes in in even running lots, is trucked to the ship, (R. 1527) is put through the machine and then trucked to the ship's berth, and that is the service that is performed for 75¢. They absorb that expense out of the compression as a matter of meeting competition of other compresses at Houston, Galveston and New Orleans. The others do that compression for 75¢ and are still confronted with getting it to shipside, just as we are. They by dray, and we by electricity on the trolley system (R. 1528). In stating my opinion that, considering the investments and other things in connection with the Long Reach plant, that there was no difference between us and the back from the water front man, I did not mean that breaking the cotton out of storage and going to shipside would cost us 18¢. The man back from the water front has a loading charge of 10¢ per bale into the car, and if he can put a hundred bales in the car he has 8¢ or a little over for switching and 4¢ for unloading; if he gets 100 bales in the car, he has topping, and I think there is an additional charge for topping. If the tariff shows 10¢, that would be 32¢ I was not contemplating movement of cotton from storage to ship's berth. I was contemplating the question of advantage or discrimination (R. 1529) as between two differently situated competitors, and I take into account that our large investment, the investment in the trolley system, as

well as the fact that we must hold our cotton on storage, many times being unable to get a bill of lading for it, when the man back of the water front only has to switch it and get his bill of lading. In the Long Reach plant, if we move a bale of cotton on the trolley around to a point in the loading berth then our warehouse should certainly receive from somebody some allowance for taking that bale off of our car, for taking the cotton down to the point designated by the ship's clerk and taking it from the car and on the other side of the berth, where the trucking distance is the same. (R. 1530). I have made no statements of what it would cost us after it was broken out of storage to move it from that point into berths 1, 2, 3 and 4, but I have pointed out that where we give an exactly analogous service and expenses, in the one case taking it off of our car at the back side of the loading berth and setting it down where the steamship agent designates, and taking it out of the car [fol. 448] right at the berth and setting it down, for that service the wharf department gets 4¢. We get that from the railroad per bale (R. 1531). If cotton were shipped to us down there for storage, the compress company has a round charge for all services. I don't know what it is, but certainly the unloading service would be included. That applies at the back from the water front plant; but it does not apply in the interior (R. 1531). I do not know whether or not the tariffs in the interior are being violated at all points on that, but I understand that the unloading is performed by the compress company in the interior as a part of the consideration of the 18¢ allowance for compression. I do not understand that merely receiving cotton means going into the car and taking it out; I do not think they could compress cotton for the railroad company without taking it out of the car, so the service of taking it out of the car is performed, as I understand it, for the railroad company. On cotton to be merely concentrated and not compressed, I do not think that the charge provided by the tariff for receiving that cotton necessarily covers taking it out of the car; the act of reception, (R. 1531-A) I think, takes place after it is put on the platform. I do not think the charge for receiving cotton in that tariff is intended to include taking it out of the car but we have some compress tariffs which perform all that service for the interior con-

centrator free of charge and in Oklahoma the charge is 15 cents per bale for the handling of every service for the interior concentrator.

I expect that 80% of the Anderson, Clayton cotton handled at Long Reach is Texas cotton, and the remainder Oklahoma cotton (R. 1532).

Assuming that 29% of the cotton handled at interior compresses is city or free cotton and that the interior railroad concentrated cotton is less than 35% of the total handled by the interior compresses, it would not necessarily follow that the purchasers of any one firm or any two or three firms would have to carry off some portion of the first concentration or second concentration cotton. Many firms will buy only cotton that is at a compress point; because of lack of capital or desire for quicker turnover; there are firms in Houston that won't buy any cotton in the interior [fol. 449] at all. The second concentration penalty would attach, as I understand it, only to such cotton as someone had filed with the railroad company previously a (R. 1533) concentration claim. All city cotton or free cotton may receive first concentration in the interior and also first railroad concentration at the ports, if it comes to the port as free cotton without a concentration claim. The interior can ship today on a local bill of lading for export to the ports and get the benefit of (R. 1534) the 80¢ rate, and they are doing it. He has no penalty under the rate today, he is using the 80 cent rate. I am not complaining about the rate today. I am complaining about the proposed one rate plan which would make it impossible for the port merchant to use a concentration privilege on this flat cotton, as we described it. Under the rates as they exist today, he gets his cotton in at 80 cents, less 1 cent for unloading plus 18 cents for getting it to shipside making it unnecessary to use the 83½ cent rate and file a claim. I am going on the assumption that the present inter-state tariff would be continued under the one-rate plan, and that we would get the penalties that now attach to the present 83½¢ inter-state rate (R. 1535). My objection to the one rate plan is not entirely based on existing tariff provisions regarding the 12¢ penalty on flat cotton and the penalty on second concentration. I would object to the one rate plan for other reasons. Those are some of the reasons for my objection, and they are in effect today in the 83½¢ rate (R. 1536).

An interior man using the 83½¢ rate would not be subjected to those difficulties because he does not encounter the flat cotton proposition at all, for if he buys cotton at a non-compress point, it is always compressed at the first press in transit, which I presume in 98% of the cases is the point of concentration also. We at the port are interested in it only because there are people over whom we have no control who ship the cotton into the Houston port in that form. We do not ship it in, in that way we incur the 12¢ penalty. As to the second concentration, my claim is that the interior has no reason whatsoever for second concentration. As it is today, they get what is in effect a second concentration [fol. 450] without any penalty. A man can buy cotton in Oklahoma, ship it, concentrate it in transit at Ada, Oklahoma, Muskogee, or Durant, and concentrate it in Dallas. I say that is not justified by transportation or for any other reason (R. 1537). If cotton is bought at Sulphur Springs and shipped to Dallas flat through the compress at Greenville, to be shipped on export bill of lading to Galveston, the 83½¢ inter-state rate would apply and the penalty for passing the compress at Greenville would attach. That is hypothetical and does not occur in practice. If the same cotton were originally concentrated at Greenville and were moved to Dallas and concentrated there and shipped to Galveston on a bill of lading marked for export, the inter-state rate would apply and the penalty for second concentration at Dallas would attach. But the interior man's method of doing business does not (R. 1539) require that he do that, and in practice he almost never does it. He is an interior concentrator and it makes little difference to him whether he makes the merchandising service at Greenville or at Dallas. If he follows that method the one rate that he can use to get shipside has a 12¢ penalty for flat cotton and for second concentration, but it does not add anything to the value of his cotton or the service he gets from it. Those things are avoided by the port merchants today, under the present adjustment, by reason of the two [fol. 451] rate plan. He works in on the 80¢ rate plus the cost of getting to the ship, plus 1¢ unloading. We want to keep the present two rate plan (R. 1540). I know some compresses in the interior are owned by cotton merchants but I do not know of any compress in the interior that is engaged in the merchandising or handling of cotton (R.

1540-A. The port merchants concentrating at the port would not receive the allowance for unloading, if the cotton moved under an inter-state tariff under which he filed a claim for concentration. The carriers would unload it when it was sent to shipside, but that is a part of the 3½¢ differential; they would not unload it when brought into his warehouse, whether at the so-called shipside or back of the water front. The carriers unload cotton coming into an interior warehouse for concentration for the 18¢ per 100 pounds. I do not think I am confusing the unloading for compression with the unloading for concentration. I will give you the name of the compress at Garland, Texas, that makes no charge whatever to the shipper for handling (R. 1541) concentrated cotton. Therefore, some one does, certainly does, unload it for them. I would not be surprised if I were told that the Garland compress did not get a bale when they offered to handle it for nothing. I doubt that the carriers will unload cotton for shippers at the warehouse at a point where it is not also compressed, but in the great majority of cases the concentration taking place at the point where it is (R. 1542) compressed (R. -543). So practically all the cotton that is handled by the interior concentrator is unloaded without any cost to him. If the cotton is going to be compressed in transit, I do not think there should be another charge specifically for unloading simply because it rests somewhat longer on the facility of the compress for the purpose of merchandising. I merely point out that the effect of the unloading allowance is this: under the one rate plan if we could bring our cotton into Houston at 83½¢ back from the water front the railroads are obligated to get it to shipside at the rate, and on top of that we must pay 1¢ per 100 pounds for unloading the cotton; we have got a total cost of 84½¢, whereas, the interior man has a cost of 83½¢.

The objection that under the one rate plan there would be a large number of small lots of cotton coming in that would have to be moved out over one railroad does not exist with reference to the interior man now using the 83½¢ rate (R. 1544). He is required under the 83½¢ rate to ship out over the same line that brought it in, but in the in- [fol. 452] terior, he shipped it out on any quantity rate, loading one bale or two, or whatever he requests on the same bill of lading. At the port he would have a cost of

5 or 6¢ per 100 pounds if he only put 10 or 15 or 20 bales in the car. The railroad company won't refund more than 3½¢ per 100 pounds for getting cotton from the warehouse to shipside. It is more expensive to move it by dray or barge at Houston (R. 1545). The 50¢ charge made by the Houston Compress Company for concentration services at the Long Reach plant includes all the merchandising services exclusive of high density service, but does not cover interest on the investment or the classing (R. 1547). It includes delivery to shipside. It includes the cost of unloading the cars to the platform R. 1549). I do not know whether there is a contract with the farm bureau whereby the $1.15 will be reduced 18¢ per bale in the event the one rate plan goes into effect. I do not desire to have the export demurrage tariff cancelled, though its cancellation might work somewhat to our advantage competitively (R. 1555). I believe it is a fact that all of the wharves and facilities at port ordinarily provide 15 days free time for the through bill of lading cotton. That would cover cotton coming from the interior to the port in these cars that would not have so much demurrage. It is not so much a question of getting the cotton on board the vessel as it is in getting the cotton into the loading berths; they are sometimes crowded; (R. 1556) it is also a question of congestion in the railroad yards. I would not add the 3½¢ to the local rate, or even ⅓ of it, simply because the shipper has the right to so many days free time under the through bill of lading, but I simply say it is a factor in the making of rates on the through bill of lading (R. 1557).

With reference to my testimony regarding the different methods of handling cotton in the interior and at the ports, I have not had actual experience in the interior in the sense that I have been a compress superintendent (R. 1558), but I have observed compress operation in the interior for many years and have been a stockholder in interior compresses since 1905. My testimony about compressing cotton in the interior is based partly upon my experience with my facilities at the port and partly on my general knowledge of conditions in the interior, through stock ownership and intimate association with interior compress businesses for a number of years. I have not had any actual experi- [fol. 453] ence with the physical operation of an interior compress. I think that the Long Reach plant has handled

about 600,000 bales per annum and the Fifth Ward plant about 225,000 (R. 1559). That includes round bales, counted two for one. We have three high density compresses in Long Reach and two at the Fifth Ward plant, all five of them do not operate continuously the year around (R. 1560). Experienced men operate compresses more efficiently and economically than inexperienced men. I know that in the interior some of the compresses close down the biggest part of the year and discharge practically all of their men and reemploy men again the next year. That would have a tendency to slow down the interior compresses only in a slight degree, because generally at the first of the season they have taken on their old crew and carry them through continuously until the active season is finished. It would not always be possible for them to pick up the old crew (R. 1561). The interior compress suffers very badly from a drought in its territory, (R. 1563), whereas the ports will have other territory to draw from and is not dependent upon one county or several counties (R. 1564). Most of the cotton we compress has already been reduced to standard density. With a daily flow up to capacity day after day, a compress can certainly operate somewhat cheaper than if it is interrupted (R. 1566). The switching service at our plant is satisfactory. If we had to wait for a local freight train due tomorrow to do the switching at our plant, that would effect the cost of operating our plant if we did not have cotton to handle. A 100 bale shipment would probably arrive in Houston in two cars at the same time (R. 1568). If transit cotton arrives at the interior compress in different cars at different times, it might slow up the compressing of the cotton. They might have to put the cotton out on the platform a bit until the other cotton came in and compress it all at once. We are not troubled with those conditions at the port but we have lots of others we are troubled with. We get a good deal of cotton at the port, previously compressed, that is wet and damaged (R. 1569). Neither the interior presses nor the port compresses are supposed to compress cotton in a wet condition. Generally the conditions which obtain in the operation of an interior compress are comparable with the conditions that obtain in the operation of a port compress. Our expenses of operation at the port, I think, in the way of [fol. 454] wages and overhead and investments, and per-

haps trackage, is certainly greater than in the interior. I do not mean per bale, but I mean in the aggregate. The interior compress almost always has a wooden platform, and they have various methods of covering. Usually it is (R. 1570) corrugated iron I believe. We include insurance in our overhead. Insurance would be greater in that kind of a plant than you ordinarily find at the port, but the insurance would be no greater if they built in the interior the same kind of construction that we have at the port. Of course our interest on our investments is much greater with a concrete plant, than the interest on the investments in the interior is. I think interest on investment is as much a charge on industries as wages or anything else. I think that a man has not made any money until he first charges 7% for interest, since he can get that much on first mortgages (R. 1571). In overhead costs, I include fixed salaries, taxes, insurance, interest on investments.

The farm bureau cotton is handled at the Fifth Ward plant to the capacity of the plant. They have put some in Long Reach and some in another plant rented elsewhere. In 1904 there was no storage of any consequence in the interior in Texas or Oklahoma. There has been material and substantial increase in these facilities since that time (R. 1572). There is agitation after every wet season for the compresses to improve their storage facilities because of damage to bales on open platforms, and year by year the compresses improve their physical facilities and shedded their platforms (R. 1573). The market for the round bale cotton is not substantially different from that for the square bale that we ship to Japan and China, Germany and France, Portugal, Spain, Italy, Russia, Poland, Czecho-Slovakia, and Austria. We sell practically none of it to domestic mills. We do a very small business in square bales from Texas and Oklahoma to domestic mills. The reason is that after merchandising our cotton at the ports we must compress it, and as the railroad rate for high density is the same as for standard, must stand the cost of the additional compression on shipments to domestic mills. The ocean [fol. 455] rate allowance for high density compensates us for this on shipments to foreign destinations. Port concentrators are almost out of the domestic business. There is a prejudice against high density cotton on the part of American mills; the same prejudice existed at foreign mills

before the war, but they were compelled to take it during the war on account of the high ocean freight rates. They learned that the high density bale was as a matter of fact a much better sale than the standard compress bale, being more compressed, better covered and less subject to damage and pilferage. If we had the allowance in the freight rate on shipments to domestic mills, we could overcome their prejudices against the high density bale (R. 1576). The southeastern mills are the largest consumers of cotton in this country; the New England sales are still very great consumers. If a charge should be made for first concentration against the cotton that the Oklahoma cotton growers ship to the domestic mills, which charge they could avoid by shipping cotton for export, I do not think that would penalize their handling of that cotton materially, if the same advantage applied to all other similar purchasers. They are merchants in that sense (R. 1577). Since we export the greater portion of our cotton, we would not claim a concentration, especially if there was a penalty attached to it. I do not think that we would have any improper advantage if a penalty should be assessed for first concentration. I think that the cotton business was conducted in a fairly satisfactory manner under the one rate plan before 1917 in Texas and before 1923 in Oklahoma, Arkansas and Louisiana, but since that time we have had (R. 1578) large markets built up at the ports and port merchants established and conditions have changed very materially in the merchandising of cotton.

One of the principal reasons we are building the plant at New Orleans just back of the dock is in order that we may avail ourselves of the service of the Mississippi Warrior Barge Line to bring cotton in by barge which we can do [fol. 456] at the regular tariff at about 50¢ per bale less than the railroad rate and put it in the warehouse at much less expense than if we had to switch (R. 1587), it to our Shrewsbury plant at New Orleans. Our Shrewsbury plant is unfortunately located in respect to switching service in that we have to use a two line service and pay a very heavy switching toll so that our average cost of delivery to steamer in New Orleans is about 25¢ per bale so that we are at a great disadvantage there than one would be here. For that reason, and the reason that we wish to handle barge cotton, we are building this plant (R. 1589). I do not think

that any expense or operation of a merchant or comparison of one merchant with another should really be taken into consideration in the matter of railroad rates or any concentration arrangement or anything else but the one rate plan seeks to equalize the back of the waterfront man with the waterfront man, and I have attempted to show that instead of equalizing it, it unequalizes it with the interior man principally. Between the waterfront and the back from the waterfront, the result will be to penalize the waterfront man if your position is he must not receive anything for the cost of putting his cotton to shipside, it penalizes him heavily for his location, and in the case of our Long Reach plant if that position were maintained and stood up it would clip about 50 cents off of every dollar of our investment in Long Reach.

The railroad company has no right to bring 100 bales in and deliver it to me at Long Reach at 83½¢ and bring 100 bales to Mr. Kempner and give him back 3½¢ of it when they collect 83½¢ from me for the same service.

If the facts were proven to be that the railroads perform a greater service in delivery to our plant than in delivery to Mr. Kempner's plant or any back from the waterfront plant at Galveston, I say that they should charge us more for what they do for us. I contend that the rate should be based on the service rendered and not on an equalization (R. 1594). We handle more round bale cotton than anyone else does, although it is a small part of our business (R. 1595). We own the patent on the round bale [fol. 457] that we call the "Clayton Bale." The operators can sell the round bale cotton to others if they wish. The difference in the ocean rates between high density cotton and standard cotton is the question of competition among steamships. I think they would have the power to get together and put it at one rate (R. 1597). The Houston Compress Company is doing business for other shippers, but I never inquire into the affairs of other shippers. The officials of the compress companies understand that the business of other shippers is not to be divulged to us, because they are our competitors. We do not restrict the operators of the compresses in the sale of their cotton. We do charge them a royalty for the operation of the round bale press. We also allow them a premium for cotton marketed to us so that when the volume gets up to a certain

stage, the royalty is eliminated. The round bale press man gets his compensation for the payments of the royalty to us almost altogether from his collection of the press allowance in the interior of 18¢ per 100 pounds. He pays us a royalty of 20¢ and collects 18¢ back from the railroad company, but when he gets up to 2,000 round bales, we release him from any further royalties so that he continues to collect the 18¢ per 100 pounds from the railroad but pays us nothing (R. 1599). Many of the presses have as much as 10,000 round bales in one season and collect that compress allowance from the railroad company. Anderson, Claytor & Co. buy the round bales from these operators of the press (R. 1600). Middlemen ought to be permitted to work out the most economical progressive way of merchandising this commercial commodity without railroad rates being adjusted in such a way as to force it into some certain channel.

It is of benefit to the farmers to have available to him without penalty the large markets of Galveston and Houston and New Orleans, as well as the first compress point if those markets are economically situated and can serve the farmer to advantage. If they must exist by reason of some special privilege or favor from the railroad, they should not exist. We do not use concentration at Galveston [fol. 458] or Houston to any considerable extent. All of our stored cotton is not concentrated (R. 1607). The free concentration allowed to the interior merchants could not be the same as the free concentration accorded the back from the waterfront merchants, for the reason that in the case of the interior merchants, the concentration takes place at the same point where the cotton is compressed, and that cannot be true at the ports. Cotton concentrated at the ports, which has been compressed en route by the carrier and for the carrier's convenience, should receive a heavier penalty than cotton concentrated in the interior, because it is a greater service. I do not think that would react against the Houston market materially. Other merchants might disagree with me (R. 1608).

If the one way plan is established there will be more use of the concentration privilege at the port but less cotton

to use it with. It will change conditions materially. It would be necessary to make quite a number of estimates in working out what the rates should be under that plan.

In the beginning of the construction of the Houston Compress Company's Long Reach plant we had no wharf, and we did use within the warehouse proper a space of about 40 feet wide for the full length of the warehouse in which to deliver cotton to the steamship agents, and they did come to this portion of the warehouse and get the cotton and truck it to the ships. We built a wharf in the spring of 1924 and since that time the cotton has been delivered to the steamship agents in the wharf house. The Houston Compress Company operates a dual facility. They are warehousemen and they have a wharf. The business is a large one and it must be conducted along very definite, specific lines. They cannot store cotton in the wharfhouse because certainly for the active part of the season, for at least six months, the wharfhouse is occupied with steamship cotton, and likewise, they cannot deliver cotton to the steamship agents in the warehouse, because the warehouse is full of storage cotton, and the steamship agents would not take it there if they could deliver it to them unless the compress company would abandon to the steamship agents that part of the warehouse, which they could not do and con-
[fol. 459] tinue to operate a warehouse business (R. 1617). Anderson, Clayton & Co. has at the present time a considerable stock of cotton in the Long Reach plant of the Houston Compress Company, and the stock clerk told me yesterday that there are 368 separate and distinct qualities contained in the stock of square bales and some 150 separate qualities in the stock of round bales. It would be impossible in the operation of a large business at this time to attempt to berth the steamer with respect to the storage of this cotton, or to store the cotton with respect to the berthing of the steamer, and this is not done.

Many concentrators at Houston get their cotton delivered to shipside for 12¢ per bale, by having it barged at a cost of 17¢, from which must be deducted the saving of 5¢ wharfage. In other cases the cost of switching is a little over 8¢ per bale, 4¢ for unloading, making 12¢, but in those cases the shipper may have to pay as much as $2.00 per car extra for the topping of cotton in the car; in other

cases, if only 50 bales are loaded in the car, the cost is over 20¢ per bale (R. 1618). There is an insurance regulation which would penalize or prohibit the storing of cotton on [fol. 460] open wharves. The officers of the Houston Compress Company are instructed that there must be no preference given to the handling of our cotton.

Cotton which is stopped at Greenville may receive concentration service by a number of merchants while there; it may change hands two or three times while enjoying the transit privilege at Greenville. It may be placed on range and examined while there and resampled (R. 1690). Where it is not compressed at the interior points but only receives the concentration service, it is necessary for it to be unloaded from the cars, placed in the sheds, and then placed out of the sheds again into the cars and loaded into the cars again for the owner of the cotton as a part of the concentration service. That is done at the expense of the owner of the cotton. If it is compressed in transit and the same privilege availed of, the merchandising service is included in the allowance made by the railroad to the compress company for compression.

Prior to 1924, the longshoremen did go into the 40 foot space in our warehouse back of what is now designated by the deadline, and to that extent we have a changed condition since 1924. That change was made by the Houston Compress Company for reasons of its own (R. 1621). We can change the designation of the ship's berth by negotiations and agreement with the steamship agent. If we designate part of the warehouse as the ship's berth, we have to abandon that part; the 200 foot requirement is that the trucking shall not be over 200 feet. There is lateral trucking both initially and terminally, so that if you get a point 90 feet away from the ship's tackle, it is not possible to say that you have only a 90 foot truck (R. 1622). Our contract with the ship is to deliver the cargo at its berth; it is immaterial to us whether the chief officer of that vessel wants to put the cotton in hold number 1 or hold number 4. That is his [fol. 461] business (R. 1623). I do not understand that we are within our rights so long as we put the cotton within 200 feet of the side of the ship whether it be the bow or the stern. I take it that the steamship Agent would not consent if we tried to fix a loading berth the back end of

which from the water line was so far from a ship, say 200 feet, that considerable cotton in trucking it laterally to an aisle way and then in order to get it to the ship, trucking it to hatch, would have to be trucked 250 or 300 feet. In that case he would have to pay an extra charge to the longshoremen. I take it that it is the duty of the shipping clerk of the Steamship Company to know to what destination the cotton is going, and the hold of the ship it should be put in. He designates the part of the berth where it is to be put, I understand. I have no positive knowledge (R. 1625).

WITNESS H. A. AHLERS

I am employed by Alexander Sprunt & Sons in the handling of their shipping department. They handle cotton and have a compress at Houston (R. 1631). Alexander Sprunt & Son are the owners of the Ship Channel Compress Company. Exhibit A-63 is a picture that shows both the compress plant and the wharf facilities. In the picture, a line of box cars separates the wharf facilities from the warehouse (R. 1632). There are two spur tracks which separate the wharf from the warehouse. The wharfhouse, or steamship cargo berths, is shown next to the water. Across the railroad track from that is our compress. The compress building which is shown to the right of the picture is approximately 820 feet long and 460 feet wide. The wharf house is approximately 600 feet long and 180 feet wide. 180 feet is the approximate width. The north end is slightly narrower than the south end (R. 1633). There are two berths for ships. Steamship Agents take the cotton delivered to them in the wharf house adjoining the wharf. That is the part between the railroad cars and the steamship that is shown in Exhibit A-63. They do not take [fol. 462] cotton inside our compress or warehouse across the track from our plant. The Ship Channel Compress Company has a lease on the building called the Gin Point Wharf. Ships take cotton directly from that place, which is used for the delivery of cotton, which is received from the Magnolia Compress Company on the wharf. That building is almost at the top of the picture (R. 1634), directly in the center. It

is the building in the picture which fronts on the water's edge at the extreme end of the wharf house. The greater amount of the cotton which Alexander Sprunt & Son exports, goes out over this facility. We do not barge any substantial amount of cotton. The Steamship Agents do not accept our cotton any point other than the part which we have designated on the wharf house, together with this import warehouse. We do not permit them to come inside our warehouse to take cotton for their steamers (R. 1635). The engagement notes which we make with the steamers includes the words "To be delivered alongside the Vessel, or at her loading berth."

Cross-examination:

Our firm does not store cotton in the wharf house (R. 1636). Cotton is delivered from the place designated as the compress warehouse to the wharf house by hand truck. We have a runway over these railroad tracks. The Ship Channel Compress Company assesses a dockage as well as a shed hire against the vessel. We also assess a wharfage charge against the cotton of 2¢ per 100 lbs. (R. 1637). We handle cotton that is switched down to this plant for placement on board the ship. I am reasonably sure that my firm does not store cotton in this wharf house. The last time I was down there was approximately four months ago (R. 1638). Last cotton season, we handled approximately 500,000 bales over our wharf facilities (R. 1639). We do not have the same amount of wharf space as Anderson Clayton & Company (R. 1640). I do not know the length of their wharf. We do not store cotton at the uncovered portion of the wharf; the ships do not accept it from there. The wharf house is in fact a wharf and only a wharf (R. 1641). All of the building next to the ship, as shown on Exhibit A-63, is included in the wharf house, [fol. 463] from one end to the other. The water side part of the building, shown on Exhibit A-63, is 600 feet long by 180 feet wide. The Ship Channel Compress Co., needs that wharf facility to handle 500,000 bales per annum; we use it also for receiving inbound cargo from ships. It is quite customary to store cotton on the second floor of the warehouse shown on Exhibit A-63, next to the ship (R. 1642). We never store cotton in the first floor. The only

change I know of that has taken place is that in the previous hearings, this water front facility was not completed. Today it is completed (R. 1643). At the time of the previous hearing, we had no wharfs. We could not handle ships at these facilities. Cotton coming in on a domestic bill of lading is principally unloaded on the track to the right of the warehouse. Cotton stored in the upper part of the wharf house is occasionally unloaded on one of the tracks that is to the left of the warehouse. There are two double tracks between the warehouse and the (R. 1644) wharf. The cotton from upstairs we chute down by skids. It is not possible to chute it down by the apron as there are no skids on the aprons. We cannot chute it down to the steamship agent within the warehouse proper, because the skids are on the platform, on the outside which is opposite what we call track #3, which is an exclusive steamship track. The skids are located on the platform just adjoining that track, and the steamship agents will not accept cotton on that platform. After it is skidded down, we would have to truck it sometimes 100 feet to the steamship agents; sometimes 500 feet. The second floor of the wharf house is about 180 feet wide, and about 200 feet long. The top part of the picture in the exhibit is the south end. The Ship Channel Compress Company is a public facility; the 500,000 bales handled from our wharf facility during the last cotton season, Alexander Sprunt & Son only handled about one-fifth, the other 400,000 bales represent cotton from other shippers and from other compresses (R. 1646).

Mr. Fulbright: The total number of bales, counting two round bales as one square bale, handled over the wharf of [fol. 464] the Long Reach plant last year, was 800,401, of which Anderson, Clayton & Company's cotton was 399,881.

WITNESS F. R. DALZELL

Cross-examination:

I do not speak for any of the back from the waterfront interests at the port of Galveston (R. 1648). I represent only the Houston Cotton Exchange. I do not think that Mr. Griffin's Company has used the port of Houston as a

port of exportation to any great extent (R. 1649). I received my instructions from the Board of Directors, and that is all I know except that I attended a general membership meeting at which the question was put as to what the position of the Exchange should be in this matter, and there was no negative on the question of taking the course that we did take, and Mr. Griffin's Company was represented at that meeting (R. 1650). The total rail movement out of Houston for the season of 1924-1925 was approximately 300,000 bales. It is not segregated as between back from the waterfront and waterfront men. The total movement out of Houston in every way, and in every direction was 200,000 (R. 1651). The total concentration at the port of Houston was some two and one-half million bales (R. 1622). My statement that 40% of that was second concentration cotton, was based upon information from different receivers of cotton. If the one rate plan goes in, we favor a charge for the first concentration, and that would apply to 100% of the back from the waterfront man's cotton, if he concentrates all his cotton. There would be no concentration by the waterfront facility on export cotton, that is, no concentration from the railroads' viewpoint. It would be no more railroad concentration than the wagon cotton assembled at an interior concentration point (R. 1664). In the application of the local rate to the shipside facility on cotton going for export, the shipside's facility could avoid the charge for concentration (R. 1665). The man back from the waterfront could avoid it on all of his cotton that he put on shipboard at Houston. He could do it by [fol. 465] abandoning concentration refunds that he would have coming to him from the railroad. He could not use the export rate. He would pay the cost of delivering from his back of the water front to shipside (R. 1666). That would be approximately the same as the charge for concentration. He could escape the 3½¢ on all his cotton. I do not know of any change in conditions since the Commission made the finding that the record as to the difference between the cost of handling through bill of lading traffic and the local traffic was not sufficient to justify the difference in the two rates (R. 1667). The changes necessary in the present tariff, in order to operate under a one rate plan are: penalty for passing a compress, penalty for sec-

ond concentration, restricted routings from certain territory, the inability to collect refunds because of the necessity for sending cotton from back of the water front in cars, and the inability to match the inbound movement against the outbound. These conditions exist to-day under the inter-state tariff, 83½¢ shipside rate. The concentration of cotton at Abilene, originating on the Wichita Valley, and shipped on a through bill of lading, to a foreign destination, would be subject to the penalty for restricted routing under the 83½¢ rate today; of course he would come in under that routing, but in the nature of his business, there would be no occasion for him to suffer any loss from it (R. 1668). The port concentrator can ship that traffic from the Wichita Valley and avoid that restriction as to routing, because of the two rate plan. The penalty for passing a compress, and the penalty for second concentration, and the matching of freight bills are now in the interstate tariff, and therefore they do affect the man who is using inter-state tariff. A rule that may be entirely proper and reasonable in the interior, because of conditions there, is not necessarily reasonable and proper somewhere else, because of changed conditions. For instance, I cannot conceive of a single reason why an interior concentrator should want to pass a compress. My exhibits have shown that for us to be governed by those same rules is unreasonable (R. 1669). The purpose of the rule as to the matching of inbound and [fol. 466] outbound billing, is to protect the revenues of the carriers (R. 1670). Mr. Reed: (interrupting). The reasonableness of the rate is not involved here. When the M. K. & T., for instance, brings cotton into Dallas that originated at local points on its lines, 15, 25 or 30 miles from Dallas, the revenue earning service has just commenced. It would not be reasonable to give that cotton a concentration privilege under a through rate, and then give the traffic to the Southern Pacific for the revenue earning haul from Dallas to Galveston. With us, conditions are different because the revenue earning service has been performed, and there is nothing left except the switching charge, which is not remunerative. I do not know that the carriers will give us the reciprocal switching charge. On the contrary they will not do it (R. 1671). I have asked for it, I would say, roughly, 30 times within the last year.

I do not know that any of them have said definitely that they would not do it, but they do not do it (R. 1672). The Houston Cotton Exchange, and Board of Trade Department's Advice Letter #131, seems to be mine. In the statement "Your analysis of the Commission's decision under the one rate plan, first the effect on the water front compresses, they lose an (R. 1672) advantage equal to the present domestic rate and the shipside rate minus their actual expense (Plant cost) of delivering cotton from compress to shipside"; by advantage I meant whatever the advantage amounts to over any one shipping under the shipside rate, anyone shipping at the water front plant, anyone who is competing anywhere else (R. 1673). In a brief before the Interstate Commerce Commission in 4th Section Application 464, signed by us and the Houston Cotton Exchange and Board of Trade, the statement is made that the total difference in favor of the port in the cost of concentrating cotton in Oklahoma vs. the Ports is $1.00 per bale for a series of three years and less at the port than in Oklahoma (R. 1674). That brief was written by Mr. Edwards of the Oklahoma Farm Bureau, who had asked me in advance of issuing it whether we would join with him in the expense of getting it out. I told him that we would participate in the [fol. 467] cost of it, and he prepared the brief in Oklahoma City and put my name on it and sent it to Washington, and I never saw it for perhaps a week afterwards.

[fol. 468] I am not responsible for those statements, although the brief bears my name and we paid 50% of the cost of it. I did not write the Commission when I received the brief and correct those statements. I oppose the cancelling of the rates from Oklahoma to the southeast via Houston, on the ground that the Santa Fe & Katy by Houston was the natural route (R. 1675). I would not regard that as out of route service. It may not be as short as some routes, but it is the natural route of the two main Oklahoma lines. I differentiate between the natural route and the short route. I asked the Commission to permit the Santa Fe & Katy to continue to do what they themselves decided they wanted to do (R. 1676). I do not ask and have not asked that the export demurrage tariff be cancelled. When cotton moves into a compress point, to be compressed by the railroad, and is later concentrated and ultimately

moved to the port, there is one switch movement into the compress point and one out. There would not be any additional switch movement because of the concentration feature. But in the one case, the service is to be performed by the railroad for itself, and in the other case it is the service being performed for the benefit of the shipper. I do not know of any change in regard to demurrage and the average detention of cars in Galveston since the Commission's decision. I don't know anything about conditions in Galveston. The fact that the ten days demurrage is not being used every day or every season, I don't think that is important. It was fixed by the Commission because conditions showed the Commission it was necessary (R. 1681). In regard to the lower rate on cotton mill cotton, on which I stated that the concentration privilege does not apply, if the cotton came from a point in the interior to Houston and was warehoused there, and if a man were to sell it to the mill, and try to get a reduction down to the 67¢ rate, he would have to file a claim for it, but I think the bulk of it is billed directly to the mill at the 67¢ rate. The special Cotton Mill rate averages 13¢ less than the other. It is restricted to cotton that is billed to a cotton mill point (R. 1682). There is a special provision in it that it will not contain in itself transit privileges. If the [fol. 469] carrier compressed for his own benefit, the 67¢ rate would apply (R. 1683). I do not think that Glenn's Port Tariff #19-A contains a note which says that the domestic rate will not apply to facilities that can have ship-side delivery (R. 1685). I do not know of any interior shipper that is receiving from the railroad any part of the [fol. 470] compress allowance (R. 1686). At the time the compress allowance was increased from 10¢ to 15¢, I do not know of any additional service that was added except the provision that it would require a 75 bale minimum loading. I do not agree that the 10¢ allowance did not include the performance of the service of unloading and reloading by the compress. I do not believe that I have ever testified before the Texas Commission, or any other Commission that it did not include the unloading and loading of cotton (R. 1687).

By Mr. A. L. Reed:

Q. Well, in your opinion wouldn't the addition of loading and unloading add material cost to the handling of the cotton?

A. It would add that amount of course.

Q. Would it be a material cost adding substantially to the cost of operation?

A. Well of course material, it would add just what it would add. I do not know what the cost is.

My testimony in Docket 12,409 had nothing to do with the cost of loading and unloading at compresses. It related to the cost of loading (R. 1688) that the railroads have to bear at country stations. The testimony says that it would add 8¢ to 10¢ per bale, but it has no relation whatever to the pressors' cost of loading; it applies to loading at the country stations where it is first taken up by the carrier, where they have 50 bales of cotton to load, and where they have to go out and hire somebody to put it in cars for them (R. 1689). I testified in I. C. C. Docket 14,385, that the carriers receive a profit from compression through the saving of car space, and therefore, getting lower transportation costs. I never did believe that they [fols. 471 & 471-a] got as much profit as they paid out in money, and I don't believe it now (R. 1690). I could not accept the one rate plan willingly without relief from all of the handicaps so that the one rate plan would be a one rate plan in fact, in practice, not alone in theory. I would accept the two rate plan if all shipside rates would apply to all shipside warehouses, including Long Reach plant, Alexander Sprunt & Son plant, and the Weatherford Crump & Company's shipside plant, leaving the back from the water front location as it is. I am representing the back from the water front plant, and I do not see how I could possibly object to that. I would accept it (R. 1692). If we had a second free concentration, we would use more concentration. We would not use it any more than we do, but if we do not get it, we simply can not re-collect our concentration refund (R. 1701).

[fol. 472] WITNESS S. W. JAMES

I am connected with the Cotton Concentration Company at Galveston, concentrators and compressors of cotton; they are not cotton shippers. They do not buy or sell cotton. I am General Superintendent, and have supervision of the delivery of cotton from the warehouses and compresses to Steamships, as well as to the cars and to the compress. I have been with the company 10 years (R. 1712). Prior to that time, I had seven years experience in the cotton business at Houston and Galveston. I have made a personal inspection of the warehouses and compresses owned and operated by Alexander Sprunt & Son on the Houston Ship Channel at Houston, Texas. That was about two weeks ago (R. 1713). On that occasion I saw cotton stored in the wharf house shown on Exhibit A-63, tiered two high. I knew it was stored cotton, because in my experience in the compress and warehouse business, I have never seen cotton on the water front for export tiered or piled. On the other hand, from what I have seen of Alexander Sprunt & Son's export business, I do not believe that they export standard density, no patch cotton. This was all standard density cotton that I saw, with possibly some uncompressed cotton (R. 1714). I have made a study of hand trucking cotton from storage to cars, and to motor trucks within the warehouses operated by the Cotton Concentration Company at Galveston, and my Exhibit A-64 represents the results of that study (R. 1715). The cost does not include any cost of picking the cotton out by numbers from storage; it includes only the cost of taking the cotton after it has been picked up, laid out, and arranged to be hand trucked to either the railroad cars or the drays. It represents strictly plant service, and the real out of pocket labor cost, including no overhead expense at all (R. 1716).

Cross-examination:

I walked through the facilities of the Ship Channel Compress Company with one of the boys that worked at the plant. I did not have the permission of the Compress Superintendent. I will not give the name of the man who [fol. 473] asked me if I wanted to look over the wharf. I

would judge that a third of the space on the ground floor of the wharf house, was taken up by storage cotton. I would estimate the number of bales there that were not for exportation or delivery to a steamship as 3,000 bales. I am sure from my experience around and about Alexander Sprunt & Son that they will never put any cotton into the warehouse, that is, the wharfhouse on the second floor in tiered form other than storage cotton. In fact that was the practice year before last as well as this year (R. 1717). I did not examine the documents of the Dock Superintendent of the Ship Channel Compress Company to ascertain whether or not that cotton was for a vessel or steamship. I never did work for Alexander Sprunt & Son or for the Ship Channel Compress Company. In all my experience, I never did see cotton put into a ship's berth two high. I never did see the Compress Company tier cotton down there. I have not had any experience as a wharf agent for Steamship Agents or compress companies (R. 1718). I went all through the wharf house on that day. I went through the compress. I went through the compress across the track from the wharf house. I do not know how many bales of cotton there were in the compress on that day. I did not examine any documents to determine whether that cotton had been booked for a Steamship or not (R. 1719).

The maximum cost shown on the Exhibit is that where we would take the maximum haul, we would make in reaching a car or a truck. Some of the warehouses are as long as 1,300 and 1,350 feet. The warehouses range from 10th street in Galveston to 37th street. They are on the land of the Galveston Wharf Company. It does not own the warehouses. I do not know who does. One of the warehouses is adjacent to the steamship docks (R. 1720). It [fol. 474] is about 50 feet from the docks, I should judge. The others are in the neighborhood of 1,300 feet. The one that is 50 feet from the dock, I mean it is 50 feet from the wharf shed. The wharf shed is the berth for that particular steamship agent, where the Steamers receive the cotton. There is a railroad track between that particular wharf, and the wharves. It is not possible to bridge over that track, and hand truck the cotton. It is not possible to handtruck the cotton from various of our warehouses

to Steamship berths (R. 1721). I do not know what change has taken place since 1923. We get it to the Steamer's [fol. 475] berth by dray. We would have to dray it that 50 feet. I do not know whether or not the same interests that control the warehouse company, also own and control a controlling interest in the Cotton Concentration Company. My Company owns 6 high density compresses (R. 1722). They are on the piers between 10th street and 37th. Some of them are on premises adjacent to piers; none of them are on the pier. They are 50 feet from the piers. Cotton is handled from the high density press to the piers by dray, in all cases. It is impractical to handle it by hand truck. I do not know whether or not in 1923 it was being handled by hand truck (R. 1723).

WITNESS O. J. BROWN

I am Division Superintendent of the I. & G. N. Railroad, and have held that position five years, located at Houston (R. 1724). Exhibit A-33, showing the Houston Compress Company facility and the tracks on it, is not a correct showing as to the tracks as they are today. There is one additional track there. Track #3 is nearer track #2 than the blue print shows; they are separated by an Island platform. Since the first of January of this year, through traffic, or export traffic, has been handled on track #3, which we call the Steamship track (R. 1725). Track #3 today and track #2 are separated by the island platform, and it is a fact that since the first of January we have shipped cotton on track #3 near that island platform. There is no warehouse between track 2 and 3, as shown on this blue print. There is no island platform. There is a wharf between track 3 and 4. Track 3 is not shown on this blue print. In the physical handling of cotton within the terminals at Houston, within the switching limits in Houston, there is no difference in the cost to the carrier of handling through bill of lading, or ships' cotton to that facility shown on Exhibit A-33 than the cost to the carrier for handling local delivery cotton to that facility (R. 1726). Track #4 is south of track #3. Track #3 is nearer to track #2 than is shown on this print. This print shows

a distance of 68 feet between tracks 2 and 3 at this time. There is an island platform between track 2 and 3 which, [fol. 476] in my judgment, is about 10 or 12 feet wide. There is a 68 foot warehouse back of the main track, and has been at the Houston Compress Company for some time. Back of that 68 foot warehouse, away from the water front, there have been two tracks since the compress was built and three since 1923. That is on the far side of the water from the 68 foot warehouse (R. 1726-A). The track numbered on this blue print as #3, is, in fact, the track that has been in existence since the warehouse was completed. It has been moved and shifted from the location as shown in this blue print, it has been shifted nearer to track #2. The 68 foot platform with a shed on it was cut down and a new warehouse constructed between tracks 3 and 4, and track 4 was constructed at the same time (R. 1727). The 68 foot warehouse has been built since this photograph shown in Exhibit A-62 was made. The warehouse is still there. There is a 12 foot platform between the two tracks, and the main warehouse, on each side of which there was a track. Changes are taking place down there. I was on the platform the 23rd day of this month, and noticed that tracks 2 and 3 were broken in the center (R. 1730). Track #3 came to this warehouse, it had a 12 foot platform that adjoined it. There has been ships' cotton placed on there from time to time, as ordered by the compress. I do not know the extent to which that has been done. The cotton was placed there to ship, not to be high densitied or anything else done with it. I could not say whether that cotton was placed there because the wharf track was then being used or occupied by other cars. We place no cars for the Houston Compress Company except on their written order (R. 1731).

Witness J. M. Smith

I am Superintendent of the Merchants & Planters Compress and Warehouse Company at Galveston, Texas. I have been with that Company since it was organized in 1898. I am personally familiar with and have supervision of, the handling and hand trucking, or otherwise delivering of cotton to points of storage in that warehouse, to motor cars

and trucks and drays. I have made a study to show the [fol. 477] approximate cost of hand trucking cotton within that warehouse for delivery to railroad cars and to drays. It was made under my direct supervision (R. 1732). It is shown in my Exhibit A-65; the cost figures represent actual out of pocket labor cost only. No other overhead or incidental expense has been included. Our warehouse is approximately 900 feet long and about 700 feet wide. It is the warehouse of the Merchants Compress & Warehouse Company; the firm of H. Kempner owns it. I have not included in this cost study any item of expense of breaking out of storage or breaking out of lots, as it is known in the cotton trade (R. 1733). The approximate cost of breaking the cotton out of lots, would depend on the character of the cotton and how much was stored. If it was concentration cotton and came in by numbers, it would have to be four-hooked out of its position and the chances are that that cotton would run about 10¢ per bale to break it out. To four-hook cottn, means to get on top of a bale with six men, pull the cotton out of a block, and set it out in the runway so that it can be assembled with the other. That is when it is in single tiers. On tiered cotton the expense would be greater; if it is piled about 7 or 8 high, and we have to break it out in small lots, it costs us, our figures show, from 18¢ to 22¢ per bale. We consider the trucking service, as represented by Exhibit A-65, as a plant service (R. 1734). The heading of page 2, Exhibit A-65, should read from Storage to Cars, instead of From Storage to be Loaded on Drays or Motor Trucks. That is the loading into cars.

Cross-examination:

Breaking cotton out of storage is sometimes a very expensive proposition to a warehouse. Where cotton has not been tiered, and the owner of that cotton has sold certain cotton, and it is ordered out by number, he will give us a list of numbers, and we get into our location record (R. 1735); the position and location of each bale alongside of the press number that is listed on that order. We have to make a search to locate the various bales, and that costs money. We pay the six men 40¢ per hour. The working [fol. 478] gangs have a foreman with a chain gang, and

some of the members of the chain gang go into the pile of cotton and pull the cotton out, and others come along and pick it out of the runways and truck it to the position designated by the yard foreman, or the shipping clerk, so that they can assemble it into even running grades and staples. Sometimes the chain gangs run to 24 men (R. 1736). Getting cotton out of the blocking position costs about 10¢. Getting it into the compress would cost us more, because the additional trucking charges would be added to that breaking out. We do not have a loading place for drays all along one side of the plant. Our press room just about equally divides the main plant, and we have an 18 foot space on the west side of the compress proper, and drays come in on one side of the press and go out on the other side, and the cotton we load out of the plant is usually cotton that comes from the jaws of the press, and that is where we do our loading. We usually press on the outgoing instead of the incoming of the cotton. Some of the cotton is ordered out by number. It depends entirely on the account. Some of our interior customers who maintain (R. 1737) headquarters in the interior of the state, and concentrate with us, always order out by number. Mr. Kempner works his cotton up into even running grades and staples on arrival, or as near as he possibly can; it gives us an opportunity to assemble the cotton into even running grades and staples and segregate it, so that when we want that particular cotton, we can know just where to go and get it. He would give us an order to ship a shipment of strict middling, even running grades and staples to France, for instance, and we would check that cotton and advise Mr. Kempner of the particular cotton we shipped. It would not be as difficult to break out that cotton as it would be by numbers; it is a decided advantage [fol. 479] to the customer to work his cotton up on arrival. Our dray works right around the platform. Our press room is approximately 80 feet wide, less an 18-foot runway. That would give us 62 feet proper by 500 feet. The most of our cotton is trucked within a distance to the truck of, say, 100 feet (R. 1738). There are many cases where the drays go right even with the place where the cotton is. We put 20 bales of cotton in a dray. When a

customer orders out by number 100 bales, and we have gone into the warehouse and picked it all out by numbers, the truck men bring it to the press and press it. When it is pressed, it will be moved back into the press room to one location together. Then the dray would be brought in and put as close to it as it conveniently could get, so as to save the trucking as much as possible. That platform is 62 feet wide. It extends the whole length of the warehouse. We do not compress any of our cotton on arrival (R. 1739). It would not be a good operation in the compress business to press a part when it comes in and a part when it goes out. We own our own drays. We always have a little more cotton to deliver than our dray lines will conveniently carry, and we employ outside transfer companies that do that work. Our drays consist of seven electric trucks, with side saddles, that haul about 20 bales each. We truck all the way from pier #10 to the Southern Pacific Dock, around 60th street I suppose. I have not undertaken to estimate what the average haul is on our truck (R. 1740). If the going is good, they make a round trip in about one hour and twenty minutes. If they are held up by railroad trains, it takes them longer. That sometimes happens. On loading into cars, practically the same system is followed, our tracks run all the way up and down the warehouse and we can pick out the cars, with the consent of the rail-
[fol. 480] roads; they tell us what car to use. We make more empties than we load; the number of cars that we load out is negligible. It would be cotton going east of the Mississippi, and our business is not very extensive in that way. We do not switch to the water front, and I do not know what the rate is (R. 1741). It is more convenient to deliver by dray. There is delay in switching. On Exhibit A-65, the cost for loading cars does not include anything for tiering. One square-headed bale will stand up by itself. I would not say that compressed cotton is usually square-headed. There are different shapes (R. 1742). I think it is very difficult to stand compressed cotton on end by itself in single bales. I do not know. We do not tier that cotton; we block it together in a solid mass (R. 1743). Sometimes we have 50 bales, and sometimes 2,000 or 3,000 in that solid mass (R. 1744).

[fol. 481] WITNESS C. A. MITCHELL

I am Assistant General Manager of the New Orleans Joint Traffic Bureau, which position I have held for a little more than two years. I have been in transportation and traffic work for 16 years, having started in 1910. I started in a local freight office. The New Orleans Joint Traffic Bureau is a voluntary Association organized without profit to serve the various interests of New Orleans and the New Orleans Cotton Exchange is one of our constituent bodies. Since my connection with the Bureau, I have specialized in handling of traffic matters, pertaining to the movement of cotton (R. 1749).

My Exhibit A-66 is a map of the Port of New Orleans, bringing up to date the information shown in Mr. Giessow's Exhibit A-21, filed at the former hearing. It shows in red, the various compresses and cotton warehouses located in the port of New Orleans. Since the former hearing, the plant of the Union Warehouse Co., on the extreme right of the map, has been put in operation as a cotton warehouse. At the time these exhibits were prepared, what is now the Alabo Press was known as the Union Warehouse Company. The change has been made in the last week or so I believe (R. 1750). My exhibit should be changed by substituting the name "Alabo Compress Company, Inc." for "Union Warehouse Company, Inc.," on the red line at the top of the series of compress companies shown on the map. This facility began operation in October, 1925. It is located between Charbonnet, and LaManche Streets, and runs from just back of the levee to Chartres Street. It is behind what is known as the Charbonnet Street Wharf. The wharf is owned by the State of Louisiana, and controlled and operated by the Board of Commissioners at the Port of New Orleans, generally known as the Dock Board. The checkered line that runs between the facility and the wharf is the levee. The facilities shown in this Exhibit as Virginia and Mississippi (R. 1751) presses was shown in Mr. Giessow's former exhibit A-21 as the Virginia Press. The facility shown as the Federal Compress and Warehouse was shown on Giessow's exhibit A-21 as the Pellican Press, which has since changed ownership. I [fol. 482] do not think that the Virginia-Mississippi Press has changed ownership. The Pelican Press was taken over

and re-named the Export Compress and Warehouse Company, which exhibit A-37 of Mr. Dalzell's referred to, and then later the entire interests represented by Mr. Taylor at Memphis, the Newburger interests, the name was changed to Federal Compress and Warehouse Company, so the name of the Pelican Press when first to Export Compress and Warehouse Company, later changed to Federal Compress and Warehouse Company. It is all the same facility. There is no connection between the letter of Waters-Hay found in Mr. Dalzell's Exhibit A-37, and the Alabo Press (R. 1752). The Crescent City Press and New Planters' Press, shown on Giessow's Exhibit A-21, and the location of which is indicated on this exhibit by (1) and (2) have since discontinued operation. They are not named on my exhibit. The exact location of the New Orleans Compress Company is not shown on this exhibit because the land area which it covers does not include the site of this plant. Its actual location is indicated by the arrow pointing to the extreme left of the (R. 1753) map. It is located a mile or so beyond the left-hand part of the map. The Pelican Press, now the Federal Compress and Warehouse Company, although the nearest to the river of any of the city presses at New Orleans is not located on the water front. That was stated at the last hearing, and it is still true. It is not adjacent to a wharf, as a street and a number of railroad tracks intervene between the compress facility and the wharf, and in application of charges, drayage, and every other respect, it is strictly an uptown press.

My exhibit A-67 brings up to date information formerly carried in Mr. Giessow's exhibit A-22, showing the names of cotton facilities at New Orleans and their capacity in bales including the facilities owned by the railroad in New Orleans as well as the others indicated on my previous exhibit. It shows a total capacity of cotton compresses and warehouses, exclusive of those operated by the railroad, of 556,000 bales, and of the railroads' facilities 158,000 bales total 714,000 bales. This is an increase over the capacity at the time of the former hearing (R. 1754). My [fol. 483] exhibit #A-68, shows the Cotton Compresses and Warehouses in New Orleans, other than railroad, their storage capacity in bales and the facilities at such compresses and warehouses for the compression of cotton.

There is a total of 12 presses which compress both standard and high density. There are two facilities, the Mississippi Press and the Louisiana Compress Company, which have no compresses. None of the railroad facilities indicated on the exhibit just preceding are provided with compresses.

My exhibit #A-68 brings up to date information formerly shown in Giessow's exhibit A-23.

My Exhibit #A-69 is a statement showing the ownership of compresses and warehouses located in the city of New Orleans, bringing up to date the information formerly shown in Giessow's exhibit A-24. The Commercial Press and Warehouse Company, which Mr. Giessow explained was not located on railroad tracks, is now served by the Public Belt Railroad at New Orleans (R. 1755). The total investment in compress and warehouse facilities, other than those owned by the railroad in New Orleans, represent approximately $8,945,000.00, made up as follows: Public Cotton Warehouse, $6,500,000.00; New Orleans Compress Company, $1,000,000; Union Compress Company, $120,000.00; Louisiana Compress Company, $30,000.00; Federal Compress & Warehouse Company, $275,000.00; Terrell Compress & Warehouse Company, Virginia and Mississippi Press combined, $300,000.00, they are under the same management and control. Union Warehouse Company, now the Alabo Compress Company, $500,000.00; Commercial Press & Warehouse Company, $220,000.00. There is no connection between what is shown on here as the Union Compress Co., and the Union Warehouse Company, Inc.

My exhibit #A-70 shows the location of high density compresses in the southwestern states of Arkansas (R. 1756), Oklahoma, Louisiana, and Texas. It brings up to date Giessow's exhibit A-25. We are advised that the high density compresses at Helena, Arkansas, and Shreveport, Louisiana, shown on the former exhibit A-25, have been discontinued. We have no definite information as to whether high density compresses are still in operation at Ft. Worth, Texas, and Jacksonville, Texas, as we received [fol. 484] no replies to our letters. It is highly probable that they are. The information on this exhibit was obtained from everybody from letters. There may be that

there are high density compresses located at other cities in the southwest, but the ones listed are the only ones as to which we were able to secure definite information.

My exhibit #A-71, showing the charge per bale for compressing various classes of cotton at the points (R. 1757) shown, or those listed on my exhibit A-70. These are direct quotations by the compress facilities of their charges. They did not list the services that they perform for the various charges; we simply asked them what they charged to compress cotton from flat to standard, from flat to high density, and from standard density to high density, and they quoted us their tariff charges. I know that at New Orleans the 60¢, which is uniform at the port, includes an additional band. We did not investigate to see whether or not the services are all the same (R. 1758). My exhibit #A-72 is a statement showing the switching charges at New Orleans from the various compress and warehouse facilities to three representative wharves, or docks on the city front of New Orleans. In addition to switching charges, when the cotton is handled to the wharf facilities in cars, there are other charges which must be paid, for instance, where the compress does not enjoy compression, there is an outward loading charge into the cars of 10¢ per bale; also an unloading charge at the dock of 6¢ per bale. The 6¢ charge is the standard charge, but some of the facilities secure a 5¢ charge by making special (R. 1759) contract. The Public Cotton Warehouse secures an unloading charge of 4.4¢ per bale under contract. In addition to the unloading charge, there is also a tollage charge [fol. 485] of 15¢ per ton, ¾¢ per 100 pounds. This exhibit brings up to date the information shown in Giessow's Exhibit A-27. My Exhibit #A-73 is a statement showing a comparison of rates to New Orleans, Houston and Galveston, from representative points in the southwestern states of Oklahoma, Arkansas, Louisiana and Texas for depot and shipside delivery. It brings up to date the information shown in Giessow's Exhibit A-28, showing the difference between the delivery and shipside rates from these various representative points to port. This exhibit brings together to each port the depot and the shipside rate shown here under columns A and B, respectively, and shows under (R. 1760) column C the difference. The for-

mer Exhibit A-28, carried the rate from the same points to the same ports then in effect, but showed only the rates. Only depot rates on uncompressed cotton are shown, as shipside rates are not provided as it is not exported. Since the previous exhibit was filed, there have been numerous changes in the rates, but the difference between depot and shipside rates are substantially the same, except at Houston, where there has been the ½¢ in the spread, effective in the fall of 1924, following the increase in wharfage at Houston from 1½¢ to 2¢ per 100 pounds. From points in Arkansas and Louisiana, as well as all points east of the Mississippi River, the spread at New Orleans is 5¢. This is no true in connection with the rates in Texas and Oklahoma, due primarily to the equalization of export rates to New Orleans with those to Galveston and Houston, while our domestic rates from the two states mentioned are higher than domestic rates to Galveston and Houston. In this regard, there has been no change since the former hearing (R. 1761). The domestic rate from Dallas, Texas, which is representative of northeast Texas, to Galveston and Houston is 80¢, and to New Orleans is 96¢, whereas [fol. 486] the export rate to Galveston and Houston is 85½¢, which export rate is extended to New Orleans under the scheme of port equalization. The northeastern section of Texas referred to is that portion of the state on and north of the Texas and Pacific Railway from Shreveport, Louisiana, to Ft. Worth, Texas, and on and east of the Texas and Pacific Missouri Kansas and Texas Lines from Ft. Worth north through Whitesboro to the Oklahoma-Texas state line. It also extends to embrace points west of Ft. Worth on the Texas and Pacific Railway all the way across the state. As to Oklahoma, the domestic rates, generally speaking, are slightly higher to New Orleans than to Texas ports, while the export rates to both ports are the same, and Oklahoma City is illustrative of this. There are a few points in Oklahoma where the spread between the domestic and export rate is as much as 1 cent, and a few where the domestic rate to New Orleans is slightly higher than the export rate to shipside (R. 1762).

My Exhibit #A-74 is a statement showing receipts and disposition of cotton at New Orleans for the season Aug. 1, 1923 to July 31, 1924, and Aug. 1, 1924 to July 31, 1925.

The exhibit covers receipts from all sources, and includes cotton moving into warehouses, and also cotton moving through without stopping at the port. For the season 1924-1925, it shows there was received a total of 2,104,139 bales. There was an export movement for that season of 1,379,102, or 65.54% of the total. The coastwise movement amounted to 245,929 bales, or 11.67% of the total. The origin territory here is not confined to the southwest; it is all the cotton states (R. 1763). The movement by rail to northern mills was 1,776 bales, or nine-hundredths of one per cent. The movement by rail to Western mills was [fol. 487] 4,786 bales, or twenty-three hundredths of one per cent of the total. Movement by rail to the Southern mills was 459,024 bales, or 20.81%. The local consumption at New Orleans was 34,949 bales, equally 1.66% of the total. The slight excess over the total bales received of a little more than 1,000 bales, was taken from the stock on hand from the preceding season. Under the heading coastwise is shown the cotton that moves to northern mills by water from New Orleans.

My Exhibit #A-75 is a statement of rates on cotton in cents per 100 pounds from Dallas, Texas to Houston, Texas City, and Galveston, Texas, and New Orleans, Louisiana, shipside, for export, showing several characters of (R. 1764) movement. The purpose of this exhibit is to show the advantage that Dallas now enjoys over the ports mentioned by having cotton compressed to high density at Dallas. The charge for high density compression at Dallas is 20¢ per 100 pounds, and the compressed in transit rates of the carriers provides for the absorption out of such rates of not to exceed 18¢ per 100 pounds for compression. By having cotton compressed to high density instead of standard density at Dallas when moving for export, the Dallas shipper may have the benefit of 12¢ per 100 pounds absorption by the carriers, leaving only 2¢ per 100 pounds that he has to pay in addition to the rate to the port. The figures between the first two perpendicular lines are based on the present rates. The first item shows the rates to the several ports, including compression by carriers and shipside delivery. This rate is 85½¢. The second item shows the rates to the ports (domestic delivery), based on carriers' compression to standard density between origin and the

port, and high density compression at the port. Rate to [fol. 488] the ports is shown on line A, and to the Texas Ports includes an addition of 2¢ for wharfage. The rates to New Orleans had to be split into two columns because our domestic rate from Dallas happened to exceed our ship-side rate. The rate to New Orleans under column 1 is the domestic rate (R. 1765) with ¾¢ per 100 pounds tollage added. The rate under column 2 is the rate to New Orleans which is ultimately protected by filing of concentration claim after the cotton is exported. The third entry covers the movement of flat cotton to the port and compression to high density at the port and the total. If the cotton had been previously concentrated, we would be subject to a 3½¢ concentration charge which would increase the figures shown here by 3½¢. There is no export rate on this movement lower than domestic rate (R. 1766). The fourth entry is based on compression at Dallas to high density, the carrier absorbing 18¢ and the shipper paying the balance of 2¢ per 100 pounds. All the columns are headed "Shipside" because they give the total cost to shipside. The 82¢ is the domestic rate plus wharfage, and when the men at Houston pay 15¢ to compress it to high density, (R. 1767) that puts it to shipside (R. 1768). Under the movement covered by the second entry, that is, carriers' compression to standard density between the origin and the port, with high density compression at the port, the total rate, with high density compression costs and wharfage to Houston is 97¢, to Texas City 92¢, and to Galveston 97¢, while to New Orleans, it is $1.11¾ including tollage, under column 1, and $1.00½ under column 2, the column 2 rate being ultimately protected. Compared to the total charges just made, the movement under the fourth entry shows that the total charges a Dallas shipper would be put to, including the extra compression cost, is 87½¢ to all of the four ports mentioned. This gives Dallas an advantage over the port [fol. 489] concentrator through high densitying cotton as follows: advantage over Houston, 9½¢ per 100 lbs; advantage over Texas City, 4½¢ per 100 lbs; advantage over Galveston, 9½¢ per 100 lbs; advantage over New Orleans, column 1, 24½¢, column 2, 13¢ per 100 lbs. (R. 1770). I have also shown at the bottom of the Exhibit the advantage to the Dallas shipper on cotton handled as de-

scribed under the fourth entry as compared to the movement to the port flat described under third entry, and this advantage is shown opposite the line marked 3 vs. 4 at the bottom of the Exhibit. All of it is based on high density, and is based on any cotton that was compressed from flat to high density at the carriers' expense where the carrier absorbs 18¢ at Dallas. I would not say that the carriers never absorb any part of the cost of compression when they pass a compress. I know that they do in other states; I do not know about Texas (R. 1771). It is my understanding that they will pass a compress in Arkansas at the request of the shipper (R. 1772). The transit tariffs at Memphis permit the movement of flat cotton past many compresses into Memphis, and the carrier ab-orbs out of the through rate the cost of compression. I do not know of a line that does not permit movement past the compress at Memphis. The situation here pertaining to shipments from the Dallas Press, would apply in very much the same manner from other interior high density compress points (R. 1773).

In the next block of rates, separated by the perpendicular line, I have shown the rates to the same port on the same character of movement based on the one rate plan, if the spread should be eliminated by increasing the domestic (R. 1774) rate. In the case of Dallas and New Orleans, the domestic rates being already in excess of the export rate, no change would result at New Orleans, there being no spread to eliminate. In the third block, the same information is shown based on the one rate plan if the spread should be eliminated by reducing the export rate. This exhibit shows that Dallas already has an advantage by handling the cotton in the manner described of 9½¢ per 100 lbs, over Houston and Galveston, and over New Orleans of 13¢ per 100 lbs. which, by eliminating the spread, would increase the advantage to 13¢ over Houston and Galveston, [fol. 490] and over New Orleans the advantage remains 13¢, but the advantage over New Orleans would not remain 13¢ at points where our present shipside rate is higher than our domestic rate, as will be shown by Exhibits to follow. This is based on high density also.

My Exhibit #A-76, a companion to the preceding one, shows the same information based on Little Rock to the Ports. From all Arkansas points, the New Orleans ship-

side rate exceeds the domestic rate by 5¢. The charge for high density compression at Little Rock is 25¢ per 100 lbs. instead of 20¢ as at Dallas (R. 1775), and this leaves an extra compression cost to the shipper of 7¢ over the amount absorbed by the carriers. The advantage to the Little Rock concentrator, as shown on this Exhibit is 5¢ per 100 lbs. over the Houston and Galveston concentrator, and 3¾¢ per 100 lbs. over the New Orleans concentrator, and if the existing spread of 5¢ should be reduced to 2¢, the advantage would be increased to 8¢ over Houston and Galveston, and 6¾¢ over New Orleans. There is no uncompressed rate from Little Rock to the ports.

My Exhibit A-77, shows the same information for Monroe, La. The high density compression cost is also 25¢ per 100 lbs. at Monroe, leaving an extra compression cost of 7¢ over the amount absorbed by the carrier.

My Exhibit A-78 is a statement of the handling charges at New Orleans as published in Agent W. P. Emerson's Joint Demurrage, Storage, and Handling Charges Tariff 4-A, I. C. C. 98, applicable on various commodities, compared to the handling charge of 5¢ on cotton (R. 1776). These handling charges were before the Commission in I. & S. Docket 1293, 61 I. C. C. 379, and were approved though the Commission found they were below the actual cost to the carrier of performing the service. I think that [fol. 491] the handling charge on cotton is reasonable for the service performed, compared with the charges on other commodities (R. 1778). The application of the one rate plan to New Orleans would disturb the relationship of Little Rock and other Arkansas points, vs. Memphis to New Orleans, fixed in I. & S. Docket 1431, 69 I. C. C. 318, if Arkansas rates to New Orleans are changed without similar changes from Memphis to New Orleans. If the rates are disturbed from Memphis to New Orleans to preserve the relation Memphis vs. Arkansas, then disruption of relations New Orleans vs. Savannah, Georgia, fixed in I. & S. 1431, would result, unless the changes were extended to Savannah. By Savannah, I mean to include the south Atlantic Ports group. To advance the domestic rates from Arkansas and Louisiana points on the Missouri Pacific Railroad intermediate to Memphis, Tennessee, and Helena, Arkansas, without similar advance from Helena and Mem-

phis, would result in creating fourth section departures. Rates from these intermediate points in Arkansas and Louisiana on the Missouri Pacific through West Memphis, Maryana, Barton Crossing, McGehee, Arkansas, and Monroe, Louisiana, and the Missouri Pacific line through Budori, Arkansas, Pallulah, and (R. 1779) Ferriday, Louisiana, are presently on the Memphis basis, observing the Fourth Section. Memphis and Helena to New Orleans can not be disturbed without disturbing the relationship at South Atlantic Ports, as already pointed out. That is just to show that Fourth Section violations would be created unless the Memphis rates were advanced (R. 1780). The present rates from Arkansas points as well as Memphis and Mississippi Valley points to New Orleans were fixed as maximum reasonable rates in I. & S. 1431, 69 I. C. C. 318. From points in Louisiana, the present rates to New Orleans were fixed as maximum reasonable rates in I. & S. [fol. 492] 1859, 85 I. C. C. 5. The present rates from Arkansas and Mississippi Valley points to South Atlantic ports were also fixed as maximum reasonable rates in I. & S. 1431, 69 I. C. C. To increase our domestic rate now, and wipe out the spread would mean to make rates that are in excess of the rates fixed by the Commission in these cases where they fix the present rates as maximum reasonable rates (R. 1781). The decision clearly indicated that the Commission intended to establish a definite relationship between Memphis and Little Rock rates. Following the decision of the Commission in I. & S. 1481, the Westside Carriers continued to absorb 5¢ spread, or handling charges from Arkansas out of the one rate that they applied. It was not until the Commission decided, Docket 11,965, and suggested that you might add 5¢ that we got into the two rate class. Memphis was preparing to file a complaint against that situation in Arkansas where the 5¢ was added from Memphis and not added from Arkansas when it was adjusted in this case (R. 1783). If the carriers had attempted to continue the one rate plan, the same rate to shipside as to New Orleans locally, from Arkansas, that would have resulted in litigation in behalf of the Memphis interests. We were having heated correspondence about the carriers' failure to observe the relationship that the Commission had intended in connection with I. & S. 1431. There

is therefore a 5¢ spread between domestic and export rates to New Orleans from points east of the Mississippi and in Arkansas and Louisiana, but the compelling force of carrier and port competition cuts down the export rates from Texas and Oklahoma below the domestic rate.

The domestic consumption at New Orleans was 43,632 bales in the season 1922-1923; 38,648 bales in 1923-1924; [fol. 493] and 34,949 bales in the 1924-1925 season. The average for the three seasons was 39,076 bales. Any increase in the domestic or depot rate to New Orleans would increase rates on this traffic, which is not involved in this case and which no cause for increase has been shown. From points on the Southern Pacific Line in Louisiana, except the Alexandria Branch, and from points in Louisiana on the Gulf Coast Line, there are no joint through rates to Carolina or southeastern mills. The same is true from local stations on the Texas & Pacific Railway in Louisiana to southeastern mills other than Carolina Mill points.

From points on the Louisiana and Arkansas Railway, the Louisiana and Northwest Railway, Chicago, Rock Island and Pacific Railway (R. 1788), and Vicksburg, Shreveport and Pacific Railway in Louisiana, and from all points on all lines in Arkansas, joint through rates do not apply via New Orleans. An increase in the domestic delivery rates to New Orleans, which are used to make the combination through rate, would create an increase in the through rates on this traffic via New Orleans. Aside from the increase, it would affect the relation of New Orleans vs. Memphis, Helena, Vicksburg and Natchez to the detriment of New Orleans by increasing the rate via the New Orleans market, and gateway without similar increases via the other markets.

The effect of an increase in the domestic delivery rate would be to increase the cost to merchants using uptown facilities at the ports in order to equalize the location of those facilities with the location of others nearer the water front. That would result in saddling on to the cotton shipper, merchant, or concentrator, the cost of equalizing the location of warehouse facilities. The shippers and mer- [fol. 494] chants, and not the warehouses and compresses, pay the freight rates. Some of the uptown warehouses and compresses at New Orleans are situated more remote from

the water front than others, and as a consequence, their drayage and switching costs are higher to the water front. The switching or drayage absorption by the carriers under a one rate plan to put cotton from the (R. 1789) Commercial or Terrell Compress, as an example, to shipside, which is 25¢ per bale drayage, or $7.00 per car switching, would not accomplish delivery from the New Orleans Compress Company, which is 50¢ per bale drayage, or $17.80 per car switching. The drayage allowance at New Orleans is 15¢ per bale. The actual drayage at New Orleans is a minimum of 25¢, running up to 50¢ per bale. If a one rate plan were established, a drayage allowance of only 3¢ per 100 lbs. to New Orleans would accomplish no purpose. The drayage absorption of the carriers would have to equal the drayage cost; otherwise, cars would have to be furnished and switching absorbed. At the time of the year when cotton is moving, all available equipment is needed, and the carriers could not retain at the ports for switching services, sufficient equipment to meet the situation without seriously depleting the car supply to move the crops.

The ports can not avoid buying cotton that has previously been concentrated in the interior in a large number of cases, (R. 1790), due to the fact that a large part of the crop is financed by cotton factors located in the interior market points under an agreement which requires it to be shipped to the factor for handling and sale for which he collects a fee. Such cotton is generally shipped to the factor immediately it come from the gin. The factor has a sort of first lien on the cotton. Many producers hold cotton for better prices, and since they are not equipped to store [fol. 495] it, they store it in cotton warehouses. Such storage also gives the producers opportunity to borrow money on the warehouse receipts (R. 1791). Cotton handled by the Farm Bureau of Arkansas is handled at the interior compresses, and shipped to them under arrangements made before it is picked, and is sold by the Farm Bureau only after it has been concentrated. The port operator, therefore, is frequently put to the necessity of buying cotton that has been concentrated. He is further removed from the producing territory than the interior merchant who has opportunity to get it first. On all cotton that has been previously concentrated, the one rate plan would put the

port at a disadvantage as compared to the interior of an amount equal to the penalty of 3½¢ per 100 lbs. To escape the penalty the cotton merchant would have to avoid buying any cotton at concentration points in the interior, which would be impossible. When cotton is shipped from these [fol. 496] interior markets to the ports, it is shipped as a local shipment and the port concentrator, (R. 1792) does not know whether it has been concentrated or not. Sometime later, the seller of that cotton at the interior market files a concentration claim, using inbound expense bills from country origin point to the market, and the local bill of lading from the market to the port, claiming the through rate, and he is just as apt to apply these expense bills against the bill of lading covering the cotton that he has shipped to the port, as he is to apply it against any other outgoing bill of lading. The port concentrator's shipment immediately changes status, and becomes subject to the concentration penalty, a fact of which he does not become aware until he files a claim and the railroad checks the billing. It has been shown that a great amount of cotton handled at so-called water front facilities must be switched or drayed to wharves other than those adjacent, and all such cotton would be subject to the same conditions as that handled back from the water front.

[fol. 497] At the present time, we have no transit arrangement via the Missouri-Pacific Railroad nor via the lines operating east of the Mississippi River for protesting to the port concentrators the through export rate to shipside. The shipside rates from these points are 5¢ higher than the domestic (R. 1793) rates, and the interior concentrator can ship direct to shipside on those rates. The port concentrator storing cotton in warehouses at New Orleans from points on the lines referred to pays the domestic rate, and having no arrangement for redelivery of the cotton, puts it to shipside either by dray or by switch movement at his own expense. If switched, he must also pay a charge of 5 or 6¢ per bale unloading from cars to wharves. Whether handled in drays or cars he also has the added expense of tollage, which is ¾¢ per 100 pounds. The minimum drayage expense would be 5¢ per 100 pounds, and the tollage added thereto makes the cost to the port concentrator at least ¾¢ higher than the cost to the in-

terior concentrator. The tollage at New Orleans is absorbed by the carrier when the shipside rates are applied, and they are applied on cotton moving from the interior to shipside (R. 1794).

My Exhibit A-79 is a tariff of the so-called city cotton compresses at New Orleans, bringing up to date Mr. Green's Exhibit No. A-32 filed in the former hearing. There are some changes. Item 5 of the former tariff, loading domestic shipments in cars for line movement, (R. 1795) shows a 10¢ charge for loading, and Item 5 paragraph D, of the current tariff shows a charge of 15¢. I stated this morning that that charge was 10¢. The change was effective with the effective date of this tariff, I think. I understand it is simply an increase in the charge, and that no additional services have been added. This delivery charge is not absorbed by the railroads under any circumstances (R. 1797). There was formerly about three days free time in connection with the storage provisions, which I understand in the new tariff is changed to ten days. That is shown in Section B, Item 1, in a note. Item 1 provides for a charge of 20¢ per bale for handling cotton into storage, which includes ten days free time, and formerly that charge did not exist, nor did they allow ten days formerly. There was only 2 days free time and the 1¢ started immediately after that. The physical conditions testified to by Mr. [fol. 498] Green as to the manner in which the cotton was handled at that facility, and the facility itself, are unchanged (R. 1797). The same interests that own the Federal Compress also won interior presses. The Federal Compress charges 75¢ for high density compression and out of that absorbs the cost of drayage to a ship; that cost is 25¢ per bale (R. 1798). One of the exhibits shows the charge at Monroe, Louisiana, the compress owned by the same interests, and the compress at Little Rock owned by the same interests; their charge is 25¢ per 100 pounds, (R. 1799) or $1.25 per 500 pound bales for high density compression. The charge for standard density compression is 18¢ per 100 pounds. The average weight per bale in Louisiana and Texas, I believe, runs over 500 pounds. The passing of compresses is permitted at interior points in Arkansas, Little Rock, Arkansas, may draw cotton from points on the Missouri-Pacific all the way out to the Okla-

homa line, passing four compresses on its way to Little Rock, mainly, Conway, Morrillton, Van Buren, Arkansas, and Sallisaw, Oklahoma (R. 1800). They had no penalty for passing the last time I inspected the tariff, Missouri-Pacific I. C. C. A-6572 (R. 1801). I know that the Illinois-Central permits the passing of a compress at Dyersburg, Tennessee, and Covington, Tennessee, and protects the through rate via Memphis, and pays the cost of compression on that (R. 1802). While the Frisco makes a charge for concentration of cotton generally, the charge is no greater where it goes beyond the compress to another compress and is compressed than it would be if it came from between two compresses. A great portion of the cotton which arrives at the public warehouses moving to shipside moves out via wharves other than that adjacent to the public warehouse.

Cross-examination:

I would say that the rate that now applies to New Orleans on cotton shipped from Texas and Oklahoma is practically a one rate plan. There is a slight difference at Oklahoma of about ½¢, and in some cases 1¢. From northeast Texas we have two rates, but it so happens that our export rate is 10½¢ lower than the domestic rate ,instead of the other way around (R. 1804). That leaves Arkansas, Louisiana, Missouri and Missouri-Pacific points in Okla-[fol. 499] homa as the only Western states that have the 5¢ spread to New Orleans. The 5¢ handling charge on Exhibit A-68 includes 5 or 6¢ a bale for unloading cotton from cars at the wharves, switching, tollage, etc. The expense of holding cotton longer in the cars without demurrage is another cost. The Illinois-Central Railroad finds it necessary to unload the cotton and re-handle it to shipside in drays, practically altogether, and they pay from 25¢ to 40¢ a bale to get that to the wharf, and they charge 25¢ to the shipper (R. 1805). That is done mainly to release the equipment, I would think. The competition between New Orleans and the South Atlantic ports is on export movement, including concentrators at those ports using the domestic rates. I do not think that there is active competition for Arkansas cotton between cotton mills at South Atlantic ports and cotton mills at New

Orleans (R. 1806). We have a two rate plan at South Atlantic ports, the difference being 5¢; I think that exists from points west of the Mississippi River as well as east, but I know it exists from east (R. 1807). The New Orleans cotton mills do buy some cotton locally. The cotton bears the freight. We do not have any through rate on cotton from Arkansas via New Orleans to destinations east of the Mississippi River. The through rate from Little Rock to Greenville, South Carolina, is $1,03 via Memphis. The combination via New Orleans would be $1.31 at the present time (R. 1809). I think the combination on New Orleans would be as much greater than the combination on Memphis to the South Atlantic ports as it is to Greenville, South Carolina. On cotton shipped from Arkansas to New Orleans for re-shipment to New England mills via the Coastwise Steamship Line, the shipside rates are usually applied, or if it came in on the domestic rate, the shipper [fol. 500] would have to get his cotton shipside, which would approximate the persent shipside rate (R. 1810). I do not contemplate any increase in the present shipside rate from Arkansas to New Orleans as the result of this case. I think quite a quantity of cotton moves from New Orleans over the wharves owned and operated by the Illinois-Central Railroad. I understand there is no wharfage or tollage charge assessed against that cotton. The wharfage at the municipal dock amounts to ¾¢ per 100 pounds (R. 1811). The Illinois-Central docks are used for cotton which comes in by the Illinios-Central. I do not think as a general practice that cotton coming in over other roads would be handled over the Illinois-Central docks. We have through rates from Arkansas through Memphis to New Orleans, and we also have through rates from Arkansas to New Orleans via west side lines. The shipside rates are not any different because of that difference in the wharfage charges at New Orleans. The lines that have to use the city front wharves absorb out of the shipside rate the ¾¢ tollage to equalize it (R. 1812). As representing the port of New Orleans, I would not favor a different rate conditioned upon the difference in the wharfage charges alone at the different ports or at different docks at the same port. We think the present spread of 5¢ is the proper spread (R. 1813). We are not urging that the rates to shipside

Houston and Galveston be made any higher than the rates to shipside New Orleans because of any difference in the wharfage charges. We do not want the export demurrage tariff cancelled; I do not think it would do us any good. It would not injure the port interests if they were cancelled at all other ports at the same time (R. 1916). I understand there is a lighter or barge service at New Orleans from [fol. 501] some of the cotton facilities to others, specifically from the Alabo plant. I understand there is a substantial movement of cotton in New Orleans on the through export bills of lading at 5¢ higher than the local delivery rate (R. 1817). The Illinios-Central people say that 38% of their cotton is through export bill of lading cotton; most of their cotton comes from east of the River. The same situation exists there as in the case of other lines, which is a 5¢ difference. Shreveport is an important interior concentrating point (R. 1818). We have the same domestic rate from Shreveport to New Orleans as applies from Shreveport to Houston. At Houston the export rates and the domestic rates are the same. The New Orleans interests would protect against reducing the rates from Shreveport on export cotton to shipside Houston by the one rate plan. That equalization applies through a large part of North Louisiana (R. 1819). According to my understanding, about one-third of the total cotton coming to New Orleans moves on through export bills of lading; I mean about one-third of the export cotton (R. 1820). I would say that on a large amount of cotton that is finally exported the local rate is charged and the carrier service ends at the compress. It may be a small proportion of the total. I really do not know. We do not have the second free concentration in New Orleans now; there is a penalty of 3½¢ [fol. 502] that we have to pay for second concentration (R. 1821). We pay nothing for first concentration west of the River, except in connection with the Missouri-Pacific. We do not have transit with the Missouri-Pacific like with the other lines. They assess a penalty of 6½¢ on cotton arriving at New Orleans which has previously been compressed and a penalty of 7½¢ if it reaches here flat, and these are only authorized in connection with movements from points in Louisiana. We have no transit from the Missouri-Pacific in Arkansas and Missouri. There is a

12¢ spread between flat and compressed cotton from Louisiana points to New Orleans. We have no flat rate from Arkansas. I think we pay the combination on that, and it is greater than 12¢. Where the drayage is as high as 50 or 55¢ a bale from the compress to the shipside, they switch the car and pay $17.80 a car, because it would be cheaper (R. 1823). If we took second concentration and paid 3½¢ for that, the carriers would have to absorb the cost of getting it to shipside, but in addition to that we would have to pay the shipside rate instead of the domestic rate, which would be 5¢ more plus 3½¢ for concentration if it was second concentration, making 8½¢ per 100 pounds more. In the case of Texas, where the export rate is 10½¢ lower than the domestic rate, it would be cheaper to take second concentration. Where the export and domestic rates are the same, it would be cheaper to take second concentration and pay the 3½¢, which would be about 18c a bale, rather than pay 40 or 50¢ drayage; but he would not pay the drayage. He would switch it in a car. If the switching charge in the car made it low enough (R. 1824) per bale that it would not pay them to file that second concentration claim, they wouldn't do it. On 100 bales of high density cotton placed in a car, the switching charge of $17.80 a car would be 17.8¢ per bale; there would be no benefit for them to pay 18¢ a bale penalty in order to get 17.8¢ back. If the cotton came in on the Texas & Pacific, the carrier would not absorb the switching charge; if it came in on the Louisiana Railway and Navigation Co., or the Southern Pacific, or the Gulf Coast Line, it would. The transit tariff provides that where the warehouses in which the cotton is stored is not on their own rail, even though they will protect the export rate and handle it to shipside, they will not absorb the switching out of that facility to shipside (R. 1825). [fol. 503] We have no transit privilege on the Missouri Pacific. There are some through point rates on cotton from Louisiana to the southeast. The Southern Pacific, except on their Alexandria branch, have no through rate. The Gulf Coast Lines have no through rate. The Louisiana & Arkansas, and the Louisiana & Northwest and Vicksburg, Shreveport & Pacific, while they have through rates via other gateways, have none through New Orleans. The Texas & Pacific has no through rates to Southeastern mills

except to the Carolinas. From Texas and Pacific stations to the Carolinas, local stations, as well as Shreveport and Alexandria, they have through rates. We have through rates from Louisiana to the New England mills via New Orleans and the Coastwise Steamship Line. They are not quite general. We have them in connection with the L. R. & N. and the Texas & Pacific. There are through rates in connection with the Vicksburg, Shreveport and Pacific, but they grant no transit at New Orleans, so, as far as we know (R. 1826) there is no movement. I do not think the Gulf Coast Lines or the Southern Pacific have any through rail and water rates to New England, unless, possibly from such points as Alexandria and Shreveport. We have a full line of rates on cotton to New Orleans in connection with the Barge Line, the Mississippi River Barge Line, which are lower than the all railway to New Orleans from Arkansas and from Memphis. Also from certain points in Oklahoma on the Rock Island and Frisco. I think the Barge Line grants a concentration privilege in connection with those rates at New Orleans. They will take cotton from the Alabo press and barge it out to the ship on their shipside rate. That is the only transit privilege I know of, and there may be no penalty in connection with that (R. 1827). I understand that ships come to the Charbonnet Street Wharf and take cotton. Generally speaking, the Missouri-Pacific Railroad is the only railroad that carries the 76½¢ rate from Memphis and intermediate Arkansas points to New Orleans. There are a few points, I believe, on the Frisco where they protect the 76½¢ rate. That rate is confined to the lines straight down through Mariana, McGehee, Arkansas, Monroe and Alexandria, and also the river line that runs down through Eudora, Arkansas and through Ferriday, Louisiana (R. 1828). The rates from the balance of Arkansas to New Orleans are considerably higher than 76½¢.

[fol. 504] WITNESS W. SCOTT HAMMOND

I am engineer assistant to the General Manager for the Board of Commissioners of the port of New Orleans (R. 1830). My Exhibit No. A-80 shows the wharf facilities at the Alabo warehouse. The wharf is indicated by the

portion outside of the feather edged line shown as the crown of the levee. It is owned by the State of Louisiana and is operated by an agency of the State of Louisiana, the Board of Commissioners of the port of New Orleans. The Mississippi-Warrior Barge Line, the Federal Barge Line, has the preferential assignment at that wharf (R. 1831). That means first call on berths. We allot most of our wharves along the city front to various steamship lines and others under a preferential assignment. If the steamship line that has a preferential assignment in that particular berth uses the berth to its capacity, they can have it to the exclusion of all others. The Alabo Warehouse Co. has no preferential right there. The distance from the front of the Alabo Warehouse to the wharf log is 371 feet and 6 inches. All of the space on the wharf not shedded is open. The wharf shed is 60 feet wide, and begins behind an 8 foot apron. Cotton cannot be stored on any portion of that wharf facility by the Anderson, Clayton Co. or the Alabo Warehouse longer than the usual free time granted steamship cotton. It is operated just as any other public wharf in the ports (R. 1832). I think the free time on outgoing shipments is ten days. The Board of Commissioners owns the shed covering the mechanical conveyor running from the warehouse out to the wharf shed, and the warehouse company owns the mechanical conveyor under the shed. The Mississippi-Warrior Barge Line approached the Dock Board for permission to extend this trolley system to the wharf shed. When the barge line brings cotton down the river for unloading in this facility, I understand that 48 hours free time is granted for that cotton passing over the wharf into the warehouse (R. 1833). The conveyor on the extreme right is used by the Mississippi-Warrior Barge Line for taking the cotton off of the barges arriving at the wharf. It has a mechanical chain haul contrivance. They truck the cotton out, using hand trucks, and they come up to this chain haul and a lug en- [fol. 505] gages in the axle of the hand truck and takes the truck right on up to the level of the wharf. That conveyor is also shedded. I have seen cotton taken from the barge and up to the wharf. That is as far as I have ever seen it handled. I have not seen them take it down and load it in the car (R. 1834). There is another conveyor

there belonging to the warehouse which is used to load and unload those cars. The other conveyor belongs to the warehouse company. The shed has been on the wharf since October, about the time the Alabo Warehouse Company took over the wharf. The Alabo Warehouse people would not be permitted to place cotton indiscriminately and as long as they please under this shed for merchandising purposes and storage (R. 1835). The shed is practically an open shed, the framing is wood, covered with corrugated iron, and the corrugated iron comes down just about 4 feet from the eaves, and from there on down to the ground it is open. Under the laws of the Dock Board, it would not be possible for the Alabo Warehouse to cover over the territory between the front of the warehouse and the shed on the wharf for storage purposes for cotton. We do not run warehouses for storage on the water front. It would not be our policy. All the sheds on the water front are transit sheds, not warehouses. The distance from the back of the wharf shed to the front of the warehouse is 303 feet and 6 inches (R. 1836). The floor between the two conveyors is partly a boarded floor, but in the back you have a strip of concrete. That is on all of our wharves and is known as a rat-proof section. It is at the same level as the wharf. The Dock Board maintains a watchman, as we do at all wharves.

Cross-examination:

The Mississippi-Warrior River Barge Line is the government barge line. It has no authority to make any contracts with anybody else for the use of that facility (R. [fol. 506] 1837). A good portion of the part behind the shed that is called "open-wharf" on the blue print has been recently constructed. The Board of Commissioners paid for it. We are working on plans to cover over that portion of the wharf back as far as the heavy white line towards the crown of the levee. It has not yet been finally authorized. I have worked on a good many of the plans, however, to have a steel shed covering the whole thing, giving an area of about 110,000 square feet. That will be done at the expense of the Dock Board. When that is done, it will be approximately 150 or 200 feet from the wharf to the warehouse, with the levee between them. It

is against the policy of the Dock Commission to permit the construction of warehouses on the levee. The rule that [fol. 507] warehouses are not to be constructed on the wharves is a matter of policy rather than a matter of the law of the State of Louisiana (R. 1839). We consulted the Alaboe Warehouse Company when we started to enlarge the wharf by the construction of the additional open wharf and also about the further plan to make a covered wharf out of it. If this organization had not gone in there to put in a high density press and built a warehouse, we would possibly have not made these improvements, or unless someone else had come along with a similar proposition. At the same time it was agreed that the warehouse company should construct out upon the wharf and own on the shedded part of the wharf a trolley system for the delivery of cotton to and from the wharf. This plan shows three conveyor runways. The one on the extreme right is one that is used by the barge line for the handling of other commodities than those which are destined to the warehouse (R. 1840). Those commodities would be unloaded on that wharf from the barge and transferred along the covered shed to the extreme right up to a point adjacent to the line of railroad tracks shown as "Louisiana Southern Railroad." Cotton is also transferred on that conveyor when coming into the wharf. Everything coming in on the wharf is unloaded at that point. Cotton destined to the warehouse would not be carried onto the extreme right end of the shed; it would come up to the level of the wharf. We have an escalator there. It brings out all the cotton and other materials which would be on the barge (R. 1841). The cotton which is going to the warehouse would be placed on the Alaboe Warehouse Company's trolley for taking to the warehouse. There are also vessels that dock there for the handling of outbound export cotton. The superintendent of docks for the Dock Board has charge of the assignment of berthing space to vessels carrying cargo out from that wharf. That wharf is not used to any extent for the purpose of shipping out export cotton. We would like to build up the biggest possible business there. The steamships usually berth to the left of the last conveyor at the upstream end. The downstream end is used for the barge line (R. 1842). It has to

be that way because the barge line usually has a barge at the downstream end. In operating their barges, they have to have a barge against the wharf to get the level correct, [fol. 508] and they truck from the barge, bringing the cargo across this barge and that keeps the adjustment between the wharf and the other barge. They have an escalator at that end of the wharf also, equipped to handle barge traffic at the downstream end. The steamship company would have to have some control over the part of the shed that it assembled its cargo in for outbound loading, so as to check its cargo and designate the place for it to be placed on the wharf. One end of the wharf you might say is generally assigned to or used by the barge line and the other is assigned to various steamships from time to time by the Dock Commission (R. 1843). When a shipper has cargo booked over a certain steamship, the agent of the steamship, knowing that the cargo will be at a certain facility, will take up with our Board the matter of getting an assignment of a loading berth at that facility (R. 1844). Then the superintendent of docks would assign him a certain berth, if he did not have a preferential berth. It is handled just the same as the other wharves under our jurisdiction. It is used for more than one steamship line; any line can come there. There is only one berth there. Steamships shift from one dock to another in the port of New Orleans, just as they do at pretty nearly every port I know anything about (R. 1845). They have shifted more than once before they get a full cargo. They go wherever they can get the cargo. The operators of the Alabo Warehouse have no jurisdiction whatever to assign berths to ships at this facility shown on Exhibit A-80. The Alabo Warehouse pays a tollage for the use of that wharf just as it would over any other wharf facility. The State of Louisiana owns the space between the levee and the warehouse, and it is under the jurisdiction of the Orleans Levee Board (R. 1847). The railroad tracks go alongside the warehouse, but there is no platform. There is no railroad track serving the docks. It is about 370 feet from the end of the railroad track to the front edge of the wharf. I think the operators of the Alabo Warehouse perform a plant service in delivering cotton from their warehouse to this dock. I understand that the open space between the

two warehouses has been vacated (R. 1848). The ground on which the wharf facility is built is also under the control of the Orleans Levee Board.

WITNESS C. P. WALKER

I am Vice-President and Manager of the Alabo Com- [fol. 509] press (R. 1849). My Exhibit A-81 is a blue print showing the layout of the Alabo Compress Co. and the wharf which serves that facility. We began the operation of the warehouse shown on this Exhibit on October 7, 1925. Cotton is brought in either by rail or by barge. Cotton coming in by rail is unloaded on the railroad tracks which appear on the east side of the warehouse. Cotton coming by barge comes to the foot of the conveyor that belongs to the Mississippi-Warrior Barge Line, is loaded on the conveyor and run up to the top of their escalator, where it is delivered to the Alabo press. We weigh*t* it, sample it, have the cotton classed, and then put it in the warehouse, after it is compressed to high density for storage. We use a trolley system from the barge line that runs the entire length of the warehouse, around the Chartres Street end and back up on the dock. That is shown on the blue print by a dotted line (R. 1850). When cotton is unloaded from cars, it would be on the track on Charbonnet Street, which is nearest to the warehouse. That would also be carried through the press room and then to the portion of the warehouse where we store it. My company concentrates cotton and performs the ordinary services that are performed by concentration warehouses. We have three methods of delivery from this warehouse to various destinations. One is to the steamship on the dock, at the up-river portion of the dock, 350 feet long. Another method is by lighter to any part on the city front. The third method is by car or by dray. Cars and drays are used to the city front. When it goes out by car from the warehouse, it would be delivered from the compartment to the nearest car on the track. We would put a car at the door of the warehouse and load it direct into the car (R. 1851). The drays call for cotton at this warehouse on the Lamanche Street side, at any door.

When cotton goes out by lighter, it would be handled on to the wharf, but instead of being put on the wharf itself, it would be carried down on to the Mississippi-Warrior's house boat and from thence loaded on to the lighter. The 200 foot berth at the water front is for the use of the Mississippi-Warrior Barge Line. They have two house-boats there which are kept there all the time. The 350 foot berth is for steamships. The barge line has handled some Ford parts over their house boats (R. 1852). There is very little of other commodities handled by the barge line except cotton. The barge line handles only inbound cotton. They do lighter cotton to other steamships. The literage [fol. 510] charge is 10¢ a bale. When we have cotton that is ordered out for a steamship, it may be in any one of the various compartments. We have seven compartments. I see that the blue print has e*gith*, but No. 6 is at present an open space. We contemplate closing that space. The cotton is trucked to the conveyor, loaded on the conveyor, and carried on to the wharf. We take the cotton off of the (R. 1853) conveyor and put it into the steamship berth as directed by the steamship clerk. A bale in compartment No. 5 would be put on the conveyor at the nearest door, at either side of the warehouse. There is a door on either side. We would truck it to the nearest car to the trolley; the trolley is outside of the warehouse. It would then move around the trolley to the wharf. It makes a turn where the ship part strikes the trolley runway and goes back. The trolley does not run as this dotted line is shown, to the extreme end of the wharf. That part of the wharf was not completed at the time the trolley was put in there (R. 1854). It turns about the "h" and the "a" in the word Charbonnet, and does not go quite to the present upstream end of the wharf. It is contemplated to construct it to the end of the wharf. When the cotton gets to the wharf on the trolley, it is taken off and put in the steamship berth under the direction of the steamship clerk. The steamship clerk designates what portion of the berth shall be used for the various lots of cotton. The Alabo Compress pays for the labor of taking it from the trolley and putting it in the place designated. When the shedded portion of the wharf is extended back, the part of it that is adjacent to the berth, within reach of the ship's tackle, will be considered at the

steamship berth (R. 1855). The compress warehouse is built as closely to the water's edge as it can be. It comes right to the toe of the levee and we cannot go upon the levee with anything. By actual measurement, it is 152 feet from the warehouse to the part of the wharf as it will be extended. The extension is to be placed at the check line; the double line on the back part of the wharf marked "back side of the wharf as it is to be extended through." The dotted straight lines are today open space. There is a floor there (R. 1856). We cannot store cotton in our respective compartments with respect to the location of the car or dray or ship that may take it out. We never know where the cotton is going when we store it in the warehouse. We [fol. 511] have one high density press. The solid line in the press room is the press; the dotted line is the foundation for another press. I do not think there is any present plan to construct another press. There is a plan to add a second story to the warehouse (R. 1857). The present capacity of this warehouse is 35,000 bales high density. If the second story is added, that will increase the capacity 30,000 bales. The steamship agents do not sign for any cotton when it is in any part of the warehouse. We have never asked them to and would not want them to. We do not want anybody in the warehouse that is not under our control. Cotton must be within 200 feet of the ship's tackle before the steamship agents will sign for it. They require us to have the full lot out of each mark. The total cotton which we have received by the various methods since the warehouse opened on October 7 up to April 15 is 67,105 bales; cotton received by barge, 52,785 bales; by dray, 795; by switch movement, 7,240, and by rail, line haul, (R. 1858) 6,285 bales. The last figure is cotton which comes direct from some interior point all rail. It is switched to our plant, but that is contrasted with the movement which may be switched from some other facility to our plant. None of it is lightered. The outbound movement since the facility opened has been 43,326 bales by the different methods. All rail, 4,299; switch movement and dray, 21,927; by lighter, 6,709; delivered to steamships, 10,391. The cotton which is lightered would be lightered alongside some other steamship at some other wharf (R. 1859). So that approximately half of our cotton has been switched out of the fa-

cility to other facilities and approximately 17,000 out of the 43,000 has moved out from the water front by steamship and by lighter. We have compressed approximately 58,000 bales at that facility. The compress has been running very irregularly. I would say that it operates to full capacity about 20 or 25 days out of the season. About 30 days out of the season it has not been operated at all.

Cross-examination:

We can put 100 bales through the press in an hour (R. 1860). That means putting it to high density from either flat or compress. All of the cotton coming in by barges is handled by the Mississippi-Warrior Barge Line. We have not handled any on a transit privilege. They do not absorb any of the drayage for delivery to shipside. I am [fol. 512] not familiar with the transit privilege (R. 1861). Of the outbound cotton going out by dray and rail, I would estimate that about two-thirds of it goes out by dray and the other by rail. It is all export. The principal volume of the movement out of that warehouse is for export. The capacity of each compartment is 5000 bales high density; we have 9 fire walls, including the outside walls. (R. 1862). We do not handle any cotton for the account of anybody else in that warehouse except Anderson, Clayton. We may if we increase the size of the warehouse. It will be open to the public for cotton only. When the barge line brings the cotton in, they do not pay the cost of getting it to the conveyor. They deliver it to us at the head of the escalator (R. 1863). We truck it from there to the conveyor. The steamship agents, however, will accept and receipt for cotton going within this shed just on the wharf. When the whole plant is shedded they will receipt for cotton at any place on that dock, within 200 feet of the ship. We will then have a minimum distance of 152 feet to transport the cotton. That is the shortest direct line from our warehouse (R. 1864). Cotton going direct to ships from cars will be unloaded on to the conveyor and be trucked up to the wharf. The cars will be on the east side of the wharf. There will be no difference that I know of in service between the Louisiana Southern Railway setting a car on that track to be loaded to ship or to be loaded into our warehouse. The escalator is a machine that belongs to the Mississippi-War-

rior Barge Line that reaches down from the top of the wharf to the houseboat at the water's edge, and is used largely to handle merchandise and cotton (R. 1865). They bring the cotton up on that. It does not take the cotton to the railroad tracks; it only reaches to the top of the wharf. The barge line has to hand truck general mechandise to the railroad tracks from the top of the wharf. Cotton has to be trucked about 50 or 60 feet minimum from our trolley to the conveyor. Cotton coming in on these railroad tracks would be received by the steamship company on the wharf (R. 1866). We would have to take it to the wharf. Where the cotton was not owned by our company, we would not handle it between the railroad and the wharf. It would be moved by the cars to the wharf by some forwarding company. The stevedores operate on that wharf. They would [fol. 513] not go up and take it from the cars. I do not know whether the railroads deliver it from the cars to the wharf. They cannot hand truck it from there to the wharf, or if they did, it would be a very expensive operation. It is only 150 feet but it is uphill. The conveyor in our warehouse is a sort of labor saving device (R. 1867). The drayage charge from the Alabo press to the city front wharves is 25¢ below Canal Street and 30¢ above. That is per bale. Even if it were possible to move the trolley over so that we could take cotton on and off of the conveyor without trucking, it would not be done under our plan of operation, because we take the cotton off and weigh it and sample it before sending it to the press room. There is no specified limit as to how much cotton we must have in the warehouse before a ship will come and get it; I understand the custom is about 1000 bales, but that is up to the steamship company and the shippers. We have to have 300 bales or more for the barge line in order to get that price of 10¢ a bale for lightering. They will deliver at any wharf in New Orleans alongside of the steamer for 10¢ a bale (R. 1868). We take the cotton from the conveyor and sample it and weigh it before it is carried to the press room. It is marked on the open part of the dock, and on the closed part of the dock adjacent to the 200 feet the barge line has. That is part of the wharf property. We do not store any cotton there; we have it there 48 hours as the limit. We do have the privilege of merchandising it there for 48 hours; it

usually moves out the same day it comes in (R. 1869). We never take it off of the conveyor and carry it to the sampling room and then truck it back or trolley it back to the wharf for a steamship without carrying it through the press room. It has to be compressed first. The cotton has to be weighed and sampled before it goes to the press room so that we will not destroy the package after it is compressed, in drawing a sample (R. 1870). I think we have handled about 400 bales for other firms at this plant. There is no reason why we could not; the warehouse was completed late and we did not solicit any other business.

WITNESS E. H. LOCKENBERG

I am superintendent of the public cotton warehouse, New Orleans. The public cotton warehouse is owned by the Board of Commissioners of the port of New Orleans, an [fol. 514] agency of the State of Louisiana. There have been no changes in the facility as to storage room or capacity and the wharf facilities used by it since the former hearing (R. 1871). I now confirm my former testimony relative to the manner of handling cotton at that facility and the distance it has to be trucked. At the time of the former hearing, we were using exclusively trucks and trailers, motor trucks, but since that time we have been using about three or four tractors and trailers in addition to the motor truck equipment (R. 1872). In regard to cotton on which we do not enjoy a compressing, which moves straight through the warehouse to shipside, we were charging 15¢ per bale for placing that cotton on the wharf adjacent to our facility at the time of the former hearing, but that charge is now 20¢ per bale. The storage rate was 7 mills per day per bale at the time of the former hearing, and it is 1¢ per day per bale on standard compress cotton and 1¼¢ per day on flat cotton at the present time. At the time of the previous hearing, we did not publish a handling into and out of storage charge, and today we have a handling charge of 20¢ per bale which covers the cost of handling into and out of storage and also entitles to 10 days free time. My Exhibit A-82 is the current tariff of the public cotton warehouse, bringing up to date my Exhibit A-31 filed for-

merly (R. 1873). The storage capacity of the warehouse is the same as it was; we did not then and we do not now store cotton on the wharf house for account of patrons. It is used exclusively for transit business.

Cross-examination (R. 1874):

The shaded portions on Exhibit A-30 are two-story runways leading from the five units. Each one of the units has two floors, and these runways, one leads up to the lower wharf and the other leads to the upper floor. They are covered runways. About three or four years ago, the Dock Board undertook to have estimates made of the cost of installing a trolley system around the warehouse, but they found the cost would be so expensive that they gave up the idea. It is a feasible proposition. The tractors which we have purchased since the former hearing are used to take cotton from the warehouse to the wharf house and also from the warehouse through the street to city front wharves; we do not use the electric trucks on the streets; [fol. 515] they are only for warehouse service, they are operated by storage batteries. The places marked "G Field" and "H Field" show where the warehouses would be constructed in the event that we enlarge the facility (R. 1876). We have used those spaces up to about two years ago for the ranging of cotton on receipt. At the present time we range cotton on the galleries of the five units marked "K" and "J." The berthing space at the facility is 1,440 feet; it will take care of about four ships. We do not ship out all of our export cotton by ships at this wharf house, because the steamship companies will not come there and get all of it. There are too many lines to serve one facility, and besides lots of the steamers have regular docking wharves to which you have got to send your cotton to them. None of the steamers lease their own berthing facilities. The only thing they have is to pay their regular dockage and sheddage and some of them work on a preferential assignment (R. 1877). A large number of different lines call at our wharf house; practically all of them at different times. Berthing space is assigned at our facility in practically the same manner as testified to by Mr. Hammond at the Alabo wharf. All berthing space in the port of New Orleans is assigned by the superintendent of docks. If a

steamship agent would be satisfied to sign for cotton in the warehouse proper and then assume the expense of moving it to the wharf, that arrangement would be satisfactory to us. It would not be satisfactory to have a portion of our closed warehouse for the delivery of cotton to ships (R. 1878). The part marked "wharf house" on Exhibit A-30, next to the river is a two-story building. The steamship employees will accept cotton delivered to them in the second floor of that building. They have now a portable conveyor to go right along the outer track that is right flush with the top floor and is just the same as trucking it from the ground floor. They go to the second floor and take it to the ship at their own expense. There are two story runways between the warehouse and the dock house. There is no substantial difference between placing a carload of cotton on the track adjoining the wharf house for delivery to the steamship agent and placing a carload of cotton on the track of the warehouse just back of the wharf house. The Public Belt Railroad Co. makes delivery of all cars to the warehouse and to the wharf house and uses (R. 1879) the same lead to reach all tracks. If the steamship company [fol. 516] makes a request to be allowed to dock at the Alabo dock, and if there was not a boat there and the berth was not occupied, the Dock Board would certainly give it to the steamship company (R. 1880). For the season 1922, 1923, out of a delivery of 241,000 bales handled at our facilities, 50,000 bales, or 20% were delivered over our warehouse wharf house (R. 1881). The other 80% went out by drays or cars or went to city front wharves. For the season 1923, 1924, there was out of a total delivery of 426,000 bales, 184,000 bales delivered over our wharf house, about 43%. The 57% went out by car movement and all various kinds of movements. About 35% of the cotton handled through our facility moved out to wharves in New Orleans other than the wharf adjacent to our facility. That does not include the Morgan Line. Practically all coastwise cotton moves out over other wharves, with the exception of one or two boat loads a season or so ago. That cotton gets to the wharves either by drays or cars, not by lighter. We use our own drays. Cotton is trucked a minimum distance of 1,000 feet up to 4,000 from points of storage in the ware-

house to the wharf facility, and about 400 feet from back of the warfhouse to the front of the closed storage unit. The distance from the back of the wharf house to the front of the closed storage unit is about 400 feet; and the open space between, except for the runways, is open space. For the season 1923, 1924, about 8% of our cotton went out by all rail (R. 1883). The Morgan Line movement that went coastwise was practically 10%. The local mills got about 3%. It is a considerable saving in many instances to dray cotton to other facilities to reach a ship that is loading there rather than to wait for the ship to come to our wharf. That saving of time means a saving of interest to the man who is selling the cotton. As I understand it, in regard to a trolley system, the warehouse should be built [fol. 517] around the trolley system, not the trolley system around the warehouse. At the time this warehouse was built, the idea was to use electric motor trucks (R. 1884), and, since that time, as I said, investigation has shown that the expense of installing the trolley system here would be too great. It would cost about half a million dollars. Not only the interest on the investment and the expense incurred in the installation, but the junking of about $60,000 worth of motor equipment, are the factors that decided against it. We do not pay the expense of operating the machine that lifts cotton off the second floor of the wharf. The second floor arrangement is just the same as the first floor. We have a portable platform that leads right beside the ship and you can take the cotton out of there and go over that platform and come back over it. That platform is owned by the Dock Board. The Dock Board does [fol. 518] not recognize labor organizations of any kind. We do not operate under the stevedores' tariff. That is the labor of the steamship company. It is, however, not unionized at our place. As far as I know, the same regulations govern as to the employment of labor at New Orleans and other ports. The steamship company either does it with its own labor or employs a stevedore to do it for them (R. 1886). The cost of going 200 feet to pick up cotton is a steamship regulation, and the same regulation governs at New Orleans as at other ports. The 200 foot rule, as I understand it, is laid down by the employees of the steamship companies. When we get the cotton to the ware-

house back of the wharf house and unload it, we are not allowed anything by the railroad for unloading. To my knowledge, the shippers do not get anything back (R. 1887). When the cotton is switched to the wharf house on a through bill of lading export, the contractor for the railroad company unloads it. I think he charges the railroad company about 5 or 6¢ a bale. Each railroad company has a different contract (R. 1888). There is a wharfage or tollage charge of 15¢ a ton.

WITNESS C. A. STANG

I am assistant general freight agent for the Illinois-Central Railroad, and am located at New Orleans; I have been in that position since 1920. The first paragraph of note 16 on page 4 of Glenn's Port Cotton Tariff No. 15-A, I. C. C. A-526, reads as follows: (R. 1891) "Rates published herein to New Orleans, Louisiana, except as provided in item 13 page 3 apply for New Orleans depot delivery, Louisiana. The term 'depot delivery' means delivery of shipment to warehouse or cotton yard of the Illinois-Central Railroad, and the Yazoo and Mississippi Valley Railroad or delivery of shipment of not less than 10,000 pounds each to cotton presses, industries, or warehouses at New Orleans, as authorized in Illinois-Central and Yazoo and Mississippi Valley freight tariff 2-D, I. C. C. No. 6700, supplement thereto and re-issues thereof, provided such cotton compresses, industries, or warehouses do not effect shipside delivery."

It is possible for the public warehouse at New Orleans to effect shipside delivery. If a shipment of cotton is ordered for delivery to a steamship on the public cotton ware-[fol. 519] house wharf, we assess 25¢ a bale in addition to the rate to New Orleans proper. If a shipment consigned to New Orleans is consigned to the public cotton warehouse and there taken into that warehouse, we effect delivery to that public cotton warehouse on the basis of the New Orleans proper rate. Of course, they do not make direct shipside delivery. The tariff does not specifically say "handled by the warehouse (R. 1892) direct to shipside delivery," but that is the way it is construed. The domes-

tic rate is applied on any cotton that goes in to the public warehouse for local handling, and it is not applied where the cotton is on its way to a ship; the export rate is applied in the latter case. If the cotton is taken from the car to the boat we assess the export rate, if it is taken to the wharf house, to the space set aside for the steamship agent, we assess the export rate. But if it goes into the warehouse for any purpose whatever, we assess the domestic rate, because we know that the man getting the cotton cannot defeat the export rate, because the public cotton warehouse also assesses a charge for receiving the cotton from the car at the warehouse. The Illinois-Central does not absorb that charge (R. 1893). It does absorb the charge for unloading when it goes to shipside, and assesses 25¢ a bale in addition to the New Orleans proper rate to cover that delivery. Our attention has recently be- called to the looseness of that language and we now have under consideration revamping that rule so as to make it absolutely clear, and to make the rule conform to the actual practice. The words "effect shipside delivery" are construed to mean delivered direct from cars to the wharf. It was never intended by that rule to decline to deliver shipment to the public cotton warehouse on the domestic rate. I do not know of any warehouses just across the tracks from the wharf house where the car could be unloaded either on one side into the wharf house or on the other side into the warehouse on the city front (R. 1895). The intention of the tariff was to prevent anybody from making shipside delivery on less than the rate to New Orleans proper plus 25¢ a bale. I do not know of any of the wharf houses in New Orleans that are situated in such a way that a warehouse is immediately across the tracks from the wharf house and within 200 feet of the ship's tackle.

[fol. 520] Cross-examination:

You cannot dray cotton in New Orleans anywhere for less than 25¢ a bale. It costs us 25¢ a bale, and I suppose we have as fair a contract as any railroad or individual in New Orleans (R. 1896). I do not think that cotton could be unloaded from a car through the press to shipside and be said to be unloaded direct from a car. The rule does not run only to cotton compresses. It also says "industries

or warehouses." The rule was to prevent unloading direct from a car ordered to the city front opposite a wharf and defeating the 25¢ charge (R. 1897). On a carload of cotton that was coming to a compress on a through bill of lading, stopped and compressed at that compress, and shipside delivery then effected from the compres to the ship, we would apply the New Orleans proper rate, and they would have to handle it to shipside themselves. If cotton is moving on a through bill of lading, we would not let it get out of our possession to go to a compress. We have no transit rules at New Orleans contemplating the pressing. On a steamship bill of lading marked "For export," we would make delivery direct to the steamship line and be through with it. I do not think we would issue a bill of lading marked "For export" and consign to a compress, the Alaboe compress, for instance. I doubt that we would, I could not say positively. Assuming that we would, the New Orleans proper rate would be applied (R. 1898). We would do that, because we construe this item to mean shipside delivery, and by direct shipside delivery we understand taking the cotton out of the car and putting it to shipside. We have construed this item to relate wholly to delivery of cotton from car to shipside (R. 1899). If a cotton warehouse were built on the Industrial Canal and located so that they could handle the cotton direct from the cars to the shipside, we would give serious consideration to fixing the tariff in connection with that warehouse to prevent the application of less than the rate to New Orleans proper plus the handling charge. I do not know that we have handled any cotton to the Alaboe warehouse, but I think that we would assess the domestic rate there. I am quite sure we would (R. 1901). We do not assess any wharfage on cotton exported over the wharves or docks owned by the Illinois-Central Railroad at New Or-[fol. 521] leans. The word "presses," used in the item we were discussing, is a term that was used here years and years ago. The Southern Railway first put it in, and I do not know what they had in mind. I do not suppose they ever gave any particular consideration to the facilities (R. 1902) as they exist today. I understand that there is a facility in the City of New Orleans known as the Mississippi Press which has no compress, and a facility known as the Louisiana Press which has no compress (R. 1903). We

would refuse to permit a shipment billed for export to get out of our possession until we had the receipt of the steamship company, but if they insisted on this cotton going to a compress then we would have to have the nature of the shipment changed and we would deliver it to them on the domestic rate. If the steamship agent would agree to receipt for it after it is compressed, I do not know just what we would do in that case (R. 1904). Note No. 16 says nothing whatever about through shipments (R. 1906). Its purpose was to limit the application of the rate in tariff 15-A to depot delivery. Our Terminal Tariff and the Terminal Tariffs of all individual lines carry a rule providing for the delivery of domestic cotton to the public cotton warehouse on the New Orleans proper rate, because the cost of handling is greater than the 25¢ published handling charge. Tariff 15-A makes reference to the Terminal Tariff in the omnibus clause (R. 1907). The item number is Note No. 28 of Glenn's Port Cotton Tariff A-525. Note No. 13 of the same Tariff reads: "Export cotton moving on through bills of lading shall not be delivered to port compresses until first receipted for to the rail carrier by the steamship line to which final delivery is required to be made." When we have delivered the cotton to the steamship agent, we have done all we have to under the export tariff. The test of whether or not the export rate should be applied is really whether or not it is an export shipment [fol. 522] (R. 1908). When cotton is moving into any warehouse for merchandising purposes, our interpretation is that that is a local delivery to that facility, whatever it may be. A shipment concentrated in the interior and shipped in 50 or 100-bale lots to be delivered to a steamship line for export is considered an export shipment wherever delivered and the export rate is applied (R. 1909).

We participate in through joint rates on cotton from points in Arkansas for both domestic and for export and coastwise. We have never applied a difference or lower export rate on cotton exported over the wharves of the Illinois-Central than is applied on similar cotton exported over the wharves of the municipality or the public wharves at New Orleans. I do not see how we could reasonably expect any difference in the shipside rates at New Orleans because of a difference in the wharfage charges assessed

at one dock as compared with the wharfage charges at another dock at New Orleans. We would have an advantage that the other lines would not stand for (R. 1911). For my own selfish interests we would like to see it. From past experience, I know that the lower rate would be very promptly met by the other lines.

WITNESS J. T. STOCKTON, JR.

I have figures from the New Orleans Cotton Exchange showing the total amount of cotton handled at New Orleans in the present season up to yesterday. They show: total receipts, 2,502,287 bales; total exports, 1,538,623 bales; total coastwise and all rail to eastern and southeastern mills, 704,588; stock on hand, 311,351; approximate ex-
[fol. 523] port, present season through the port of New Orleans via all steamship agencies serving the port, moving on through export bills of lading, 451,500 bales. In arriving at the last approximate figure, each steamship operator in the City of New Orleans was consulted in an effort to obtain this information. I did not undertake to ascertain the point of origin of the cotton (1913).

Exhibit A-33 shows the location of the tracks at the Long Reach plant at Houston as they are to be after the completion of the construction work now going on. All export cotton moving into the Long Reach plant and handled by me the past season, prior to the time that this construction work was started, was unloaded either on Track No. 3, which was served by trolley line operating on the 12-foot receiving platform, or on Track No. 1, but no cotton whatsoever was unloaded on Track No. 2, which served the warehouse proper (R. 1914).

Cross-examination:

I understand that very little cotton has been moved to New Orleans the past season on a port export bill of lading. I do not have any figures (R. 1916).

WITNESS C. A. MITCHELL

Cotton on a through bill of lading for compression in transit would not be high density. What I had in mind

when I testified that cotton could pass compresses on the Missouri-Pacific going into Little Rock was cotton concentrated and high densitied under concentration and then billed out on the through rate from the point of origin [fol. 524] without any penalty. I intended to say compression and concentration (R. 1917). Cotton originating at a point in Oklahoma or Arkansas on the Missouri-Pacific may, under the tariff, pass a compress point or concentration point and be compressed or concentrated at Little Rock and move at the through rate. I do not mean by that that cotton is allowed to pass compresses everywhere, but I say there are such situations. Cotton can move from Russellville, a compress point, and points between Russellville and Morrelton, Arkansas, and pass through Morrelton, Conway or North Little Rock, Argenta or Little Rock for concentration, compression and reshipment with protection of the through rate without penalty. I have not checked all through the tariff, and I find that (R. 1918) at the beginning of the present cotton season, the Missouri-Pacific Railroad changed its policy somewhat, and generally speaking they do have something over the through rate where a compress is passed, but there are still exceptions. I do not think that the Missouri-Pacific is the only Arkansas line that permits that. The Frisco permits passing of compresses, but the situation on the Frisco is different in that the Frisco charges a penalty, no matter whether it has passed a compress or not, but they do not make any distinction as to whether it has passed one or two or three compresses (R. 1919). I would say that its concentration charge applies on all the cotton concentrated on that line. It applies everywhere the Frisco goes, except that it does not make a charge around Ft. Smith. It does not make a charge, as I understand it, in Oklahoma, either I do not know whether the Frisco applies a penalty for concentration at Hope, Arkansas (R. 1920). If there is a high density compress at Dallas and none at Terrill, Texas, and the Dallas press, having this advantage of high density, could [fol. 525] draw all of that cotton between Dallas and Terrill, the competition would force Terrill to put in a high density compress (R. 1921). Until last fall, it was the general practice that concentration points could be passed in Arkansas. I do not think the Rock Island ever practiced

it very much, but the Frisco and Missouri-Pacific did. The Frisco still permits passing of compresses without any greater penalty than if they did not in East Arkansas, and I understand, West Arkansas and Oklahoma, without penalty (R. 1922).

WITNESS E. B. GAINES

I live at Savannah, Georgia, and am here in the capacity of traffic manager for the Savannah Traffic Bureau. I filed an intervention in this case, and was joined by the Charleston Traffic Bureau. I testify here in behalf of both of these intervenors. The difference at Savannah and Charleston between the local rates and the shipside rates is 5¢ per 100 pounds (R. 1923). That condition prevails at all of the South Atlantic ports. We believe that the establishment of a one rate plan, the same rate on shipside cotton as on local delivery cotton, at New Orleans from points on and east of the Mississippi river would affect our rate adjustment very seriously (R. 1924). The South Atlantic ports get cotton from Memphis. We know a lot of that cotton does move into Memphis for concentration purposes and does move to Savannah from points west of Memphis (R. 1925). If the one rate plan should be adopted from Arkansas to New Orleans, and from Memphis to New Orleans, the rate relationship will be disturbed at Mobile, thence on to Pensacola, thence on to Jacksonville, Brunswick, Savannah, [fol. 526] Charleston, and all over the Southeast (R. 1926). The rate from Memphis proper is taken into consideration in fixing the rates to the South Atlantic. We have various cotton warehouses and high density presses at Savannah (R. 1927). The Savannah Warehouse and Compress Co. is located just north of the city, within the switching limits, on the banks of the Savannah river. The Gordon Press is located on the property of the Central of Georgia Railway, immediately adjaent to the Central of Georgia Railway property, right near the wharves of the railway, the warehouse running from 1000 to approximately 3000 feet. The Island Press located on the Seaboard Terminal over on Hutchinson Island, is at the head of Slip No. 2, and the distance from the warehouse down to the head of this slip will range from 500 to 1000 or 1500 feet. The Mutual Compress Co. is located on the terminals of the Atlantic Coast

Line Railroad, and the warehouses are approximately the same distance as those of the Gordon and the Island press. These facilities do a general warehousing business for cotton merchants, performing the various concentration services that are customarily performed by such warehouses (R. 1928). They have high density compresses; there are six in Savannah. The warehouse of the Savannah Warehouse and Compress Co. is located adjacent to the wharf. Deliveries from that warehouse to the ships are hand trucked or lightered by the warehouse company down to their wharf and loaded on a lighter, and from lighters they are lightered down to the shipside, wherever the ship may be berthed. The ships berth at one of the three different railroads. I understand that when the Savannah Compress and Warehouse Co. (R. 1929) was built, that some character of an agreement was made providing that they would not berth ships at their wharf for a period of ten years; that period expires some time this year. The wharf [fol. 527] of the Savannah Warehouse and Compress Co. is on water that is sufficiently deep for the ships to be berthed there. The recent Congress has enlarged the appropriation for the Savannah harbor, and this river will be dredged; the work is now under way so as to make the channel deeper, serving the property of this warehouse company. The depth there now ranges from 18 to 22 feet, but the project is to make it 24 feet. The depth at the railroad facilities now is 26 feet at low water, with a 7½ foot rise in the tide (R. 1930). The local rate is paid on cotton coming into the various warehouses at Savannah. In the case of the Gordon Press, they use hand trucks and electric trucks or a dray down to the head of what they call Lighterage, a little canal just large enough to accommodate a lighter. By trucking some distance, they could use hand trucks and carry it direct to the steamer's berth. That would be a thousand feet or more. It could be switched for $5.63 per car. The steamships do not receive cotton at any point other than in the loading berth. When a ship comes to Savannah, the berthing space is previously assigned. She goes there and all of her cargo is received, unless there are sufficient quantities of cargo at other (R. 1931) terminals to justify the shifting of the vessel. At the present time at Savannah all of the wharves that are being used for

export cotton are owned by the railroads. The wharf of the Savannah Warehouse and Compress Co. is the only wharf available that is not owned by the railroad interests. The Mutual Compress Co. is operated by the Savannah Warehouse and Compress Co. It is also so constructed and arranged that ships can be berthed there, by drayage, etc. That has not been done on account of the agreement with the railroad (R. 1932). The Mutual Compress gets its cotton to shipside at the present time in the same manner as the Gordon Press. They use electric trucks, or if the ship is berthed at a berth further away from the warehouse properties, they may find it more advantageous to switch. They use electric trolleys now, and they could extend that trolley system over to the wharf. The Compress Warehouse Companies at Charleston are all located on the river front. I do not understand that they have any agreement that will forbid them from docking vessels. They do now and have been docking ships at their properties. They export cotton direct from their wharves (R. 1933). The [fol. 528] wharves are adjacent or near to the warehouses and part of the property. I understand that they can use electric trucks or conveyor systems to convey the cotton. Possibly they do now. I do not know. The warehouses perform a general concentration and merchandising service. They take the local depot delivery rate at Charleston (R. 1934).

Narrative of the Proceedings Before the Interstate Commerce Commission in Docket No. 11965, Galveston Commercial Association et al., Complainants, Versus Alabama and Vicksburg Railway Company et al., Defendants; Docket No. 13991, Weatherford, Crump and Company et al., Complainants, Versus Alabama and Vicksburg Railway Company et al., Defendants; Application of Rates on Cotton to Gulf Ports, Docket No. 14940, at Dallas, Texas, June 4th to 19th, 1926

("Complainants' Exhibit No. A-48, substitute, witness Oppenheimer" was received in evidence as a substitute for the original Exhibit No. A-48.)

WITNESS J. M. LOCKE

I am connected with F. C. Locke and Co., Muskogee, Oklahoma, dealers in cotton. My firm owns about 2% of the capital stock of the Traders Compress Co. (R. 2011). I am testifying as a cotton merchant and not as a compress owner. I am a director and chairman of the freight and transportation committee of the Oklahoma Cotton Exchange, a State organization of cotton dealers, and am authorized to speak for that organization by the Board of Directors by resolution adopted February 24, 1926 (R. 2012).

Oklahoma produced more than 1,600,000 bales of cotton of various qualities last season. The cotton trade divides the crop into numerous qualities, probably 80 to 100 different qualities being produced in Oklahoma in an average year. The mills buy their cotton in even running lots, usually in 100 bale lots. The Oklahoma merchant buys cotton in lots of 1, 2 and 3 bales, and upwards, usually in lots of 25, 50 (R. 2014) and 100 bales, and each lot contains a number of different qualities. The merchants can seldom buy sufficient cotton at one point to make satisfactory sized shipments of even running grades to the mills. Consequently, it is imperative that he be granted the priv- [fol. 529] ilege of concentrating his purchases at logical concentration centers. The concentration privilege also encourages the building of warehouses where cotton can be properly protected from the elements and other damage. It is desirable that cotton be marketed uniformly throughout the year rather than thrown on the markets in the short space of time called the picking season. A small percentage of producers in Oklahoma utilize the cooperative plan of marketing to accomplish this purpose. The others require storage facilities near the point of production, where proper warehouse receipts are issued, against which they can borrow money, and thereby hold the cotton (R. 2015), without fear of water damage until they desire to market it.

In the development of a cotton business, the first concentration was done at the port and at a few large interior markets. Later it was found more economical to concentrate at points much nearer the source of production. Interior warehouses and compresses were built, and the con-

centration privileges granted by the railroads have been an absolute essential in the development of this plan of marketing. Interior concentration permits a prompt determination of the quality of cotton purchased, enabling the cotton merchants to meet the demands of the mills. It aids in obtaining a quick turnover of stock, and thereby reduces handling cost, such as interest, insurance, and storage (R. 2016). The amount of such handling cost necessarily affects the price which the producer receives.

Oklahoma produces a harder fibered cotton than most of Texas and Louisiana, and since hardness and strength of fiber is greatly desired by the mills, a merchant can obtain a better price for cotton shipped on an Oklahoma bill of lading. Recently one of the New England mills has asked us to guarantee that when we sell them Oklahoma cotton we will ship the cotton from Oklahoma points and not from Texas or Arkansas points, claiming that the difference in value of the cotton cannot always be detected by the eye and hand, but that it is readily detected by the mill's spindles (R. 2017). Therefore any construction of rates compelling the concentration of Oklahoma cotton at points outside the State would have a tendency to lower the level of prices obtained for Oklahoma cotton. The Oklahoma merchant is in a better position to determine the true value of the crop than the outside merchants, who have [fol. 530] to calculate a wider margin in order to avoid loss due to errors in judgment on the part of his buyer. There is always a considerable quantity of low grade cotton ginned in Oklahoma. Last season about 35% of it being lowered in grade and color due to climatic conditions, and a great deal of it being snap or bolly cotton (R. 2018). The handling of these low grades is a specialty, since it is necessary to seek out the mills who can use such qualities, and since it is impossible for the merchant to protect himself on such cotton against price fluctuations by the sale of future contracts. Oklahoma firms tried to build up a business with the mills using these low grades, and they are in better position to handle such cotton. In this way, the Oklahoma merchant is able to avoid a substantial economic loss (R. 2019). It is necessary for the Oklahoma merchant to depend upon his local banks to finance such low grade cotton, because the out of State banks usually specify that all cotton

financed by them shall be of such grades as are tenderable on the New York, New Orleans and Chicago cotton exchanges.

A penalty on interior concentration would have to be deducted from the price which the Oklahoma merchant pays for the cotton and would necessarily lower the price received by the producer. It would also place the out of State merchants who concentrate at the ports in a most advantageous position to the prejudice of the interior concentrator. The port concentrator has an advantage in the two rate plan now in effect. Under it the volume of transit cotton as compared to concentrated cotton has shown a marked increase each year for the past two or three years (R. 2020). In the past few years there has been considerable increase in the compress and storage facilities in Oklahoma, but a penalty on concentration would seriously affect the capital invested in these facilities and there would be no further prospects of enlargement in the future. In 1920 the Oklahoma compresses had a storage capacity of 169,790 bales. These figures include half of the capacity of the Ft. Smith and Van Buren compresses, because the management of these two compresses state that half of their receipts are Oklahoma cotton, due to their location with reference to the Southern Pacific and the Kansas City Southern. The compress capacity of the Oklahoma compresses including half of the Ft. Smith and Van Buren capacity is now 290,049 bales, an increase in 1925 over 1920 of 120,259 bales, or [fol. 531] 70%. The valuation in 1920 was $1,503,648.27; the present value is $2,845,461.56, an increase in the last five years of $1,341,813.29, or 85%. The valuation figures (R. 2021) in some instances are estimate, but are believed to be accurate. The Traders Compress Company, which operates fifteen plants out of a total of twenty, not including Ft. Smith and Van Buren, in 1920 had a capacity on open platform under sheds of 9,790 bales. In 1925 it was 2,150 bales, a reduction of 7,640 bales. The track capacity in 1920 was 442 cars; in 1925, 527 cars. The number of compress machines in 1920 was fifteen. Since that time two compresses have been dismantled, but there are four compresses with two machines each, making eighteen machines. In 1920 there were seven plants with a capacity of 70,500 bales, which carried Class B insurance. In 1925 there were

eleven plants with Class B rating with a capacity of 200,000 bales or an increase of 129,500 bales. In 1920 there were three plants with 24,500 bales capacity, having Class C rating. In 1925 there were three plants with 15,000 bales capacity, rating Class C, or a reduction of 9,500 bales. In 1920 there were five plants with 30,000 bales capacity rated Class D. In 1925 there was one plant of 5,000 bales capacity rated C, a reduction of 25,000 bales. This shows for the Traders Compress Co. an increase in the total storage capacity of 95,000 bales (R. 2022) and 129,500 bale capacity raised from a lower class to Class B, and a reduction in the lower classes of compresses. A penalty on the concentration privilege at interior compresses under the present two rate plan will have a tendency to force the Oklahoma cotton merchant to move his business to the ports; it will injure the present investment in compress and warehouse facilities; Oklahoma labor will lose wages it now enjoys; Oklahoma cities will suffer through decrease of taxable investment and population; Oklahoma banks will suffer through the fact that the cotton concentrated outside the State will be financed outside the State; and the Oklahoma producer of cotton will be injured through receiving a lower level of price for his commodity as a result of the loss of competitive influences If the one rate plan is adopted, I would not object to the carriers permitting cotton which has been previously concentrated in the interior to be stored at the port and delivered to the ship's berth without any penalty for the second stop at the port (R. 2023). The [fol. 532] waiving of the penalty in such case would possibly benefit the interior concentrating market by increasing the amount of cotton concentrated there. In my opinion it would encourage the large port merchants to buy cotton at the interior markets while otherwise they might be encouraged to avoid those markets where possible. A large percentage of the Oklahoma cotton moves all rail to the consuming mills.

Cross-examination (R. 2024):

I believe there are a larger number of grades of cotton produced in Oklahoma than in any other section of the same size; there is a large number in every general section (R. 2027). I would say that the logical point for con-

centration would be points so situated with respect to railroads that they can draw from a wide territory. There are 20 compresses in Oklahoma now, I believe (R. 2028). Each one is a concentration point, some for small areas and some for large areas. Under what we call the five point concentration plan in Oklahoma, the railroads have granted to the cities of Oklahoma, such as Muskogee, Ardmore, and Altus, wide concentration privileges, and given the privilege of passing other presses. Chickasha is included in the five point plan, but I am not certain whether it is given the privilege of passing other presses. It is located in a section which produces a great deal of cotton. The object of the plan is to permit the shipper to group his cotton and get all of his cotton to one of those five primary points. It enables the merchant to get a sufficient quantity at one point to make proper shipment (R. 2029). The system is of benefit to the cotton merchants of Oklahoma. I have no definite way of knowing, but I would say that 50% of our cotton would move to the ports and 50% would move all rail to the spinning mills. A considerable portion of the half that goes to the ports goes for export. [fol. 533] Part goes for reshipment purposes (R. 2030). From some portions of Oklahoma, it is more economical to ship cotton south through Galveston under the through rate to New England than it is under the all rail movement. As a general proposition, any buyer has a free entry into any market where he wants to go to buy. The port merchants buy very generally in Oklahoma. We have that competition. What we call the factorage business does not exist in Oklahoma. A good deal of (R. 2031) cotton is sold to brokers. Most of that is done in Oklahoma City. We have the privilege of shipping cotton direct for export or could concentrate at Galveston, and the port merchants could use interior concentration. Generally speaking, however, the Oklahoma merchants concentrate in Oklahoma. I do not know of any who concentrate a substantial part outside of Oklahoma (R. 2032). There are outside merchants who buy largely in Oklahoma and concentrate outside of Oklahoma. It is to the benefit of the purchasers of cotton to have it handled in the most economical way possible (R. 2033). There is no reason why a cotton classer located in Dallas, Texas, could not grade cotton

as well as a cotton classer in Oklahoma City, if they had equal experience. The mills reserve the right to determine whether our cotton comes up to the contract specifications (R. 2034). There is a very small percentage of cotton compressed in transit which moves to the eastern mills. It would be almost negligible to our business. On cotton to the eastern mills, we handle it to the Oklahoma compress, classify it, and ship it out from there; it would not be compressed in transit under the strict definition of the term (R. 2035). Cotton can be shipped to the port on a local bill of lading and there compressed to high density. The cost is about 75¢ per bale, and it is delivered [fol. 534] to the ship out of that charge. We have to pay the usual freight charges, plus the high density charge (R. 2036). I was not familiar with the complaint regarding the two rate plan until after this case was filed. I recognize that under the present rates certain firms can handle cotton at less expense and get it to shipside at less expense than we can (R. 2038). The resolution under which I am acting was introduced by Director Irby, a merchant located in Oklahoma. I don't know his connection with the firm of Harriss, Irby & Vose. It is the same name and some relationship exists. I do not know what proportion of the Oklahoma cotton crop is financed by the local Oklahoma banks. We do our banking at Muskogee; we do some at the future markets, such as New York and New Orleans (R. 2039). With the Oklahoma cotton and the Oklahoma firm, the banking is done principally in Oklahoma. I do not know about any firms that go out of Oklahoma for money. If a merchant at Galveston or Houston can get his cotton to shipside for 2 or 3¢ per 100 pounds less than I can, he has that much advantage over me in bidding for cotton in Oklahoma. We would have to meet his price (R. 2040). In the marketing of cotton, elements enter by which the merchant must shrink his profits and meet the competition depending on where the cotton is going and what the conditions are. That is general in the trade. The Oklahoma compresses are profitable, but the increase in the investment and in the facilities of the Oklahoma compresses since 1920 is rather indicative of the fact that there was not then sufficient storage facilities in Okla-

homa to take care of the Oklahoma crop. There was a very acute shortage at that time. There was rarely a section where you did not run into embargoes and find cotton sitting on railroad platforms and being damaged to [fol. 535] considerable extent (R. 2041). Warehousing is a very valuable function of the cotton merchant's business. It is also very valuable to the producer, in giving him adequate protection against the weather and lower insurance rates. For the last fifteen years, I know there has been a larger acreage of cotton planted, and a gradual increase in the quantity of cotton produced in the state, which called for increase in storage facilities (R. 2042). The farmer usually markets his cotton in the fall of the year in Oklahoma. Whether the merchant gets it then or not depends on prices. Sometimes there is quite a holding movement in the spring. I believe that one stop for concentration is all the interior merchant has in Oklahoma (R. 2043). At the present time, one concentration is serving the purpose. I have thought that a second concentration would probably be of considerable benefit (R. 2044). If the railroads were required to give the port concentrator one more free concentration than they give a man in the interior, it might be of advantage to the interior merchants who do a large business with the port merchants, and sell their cotton to them. To us it would not be of advantage (R. 2045). My organization does not represent producer. On straight specific service of shipping cotton in and shipping cotton out, concentration service will probably be a little cheaper at Houston than in Oklahoma. The Traders generally charge 15¢ per bale involving 15 days free time. Compresses in the interior attend to the payment of freight charges in and out and baling of cotton to a certain extent depending on the superintendent. If we could get our storage and concentration service cheaper than at the port we might make up for that 18¢. I think that $1.00 a bale would be a conservative estimate of the [fol. 536] profit a cotton firm makes on cotton year in and year out. Some seasons they make more and some seasons they make less, but I think $1.00 per bale would be an average (R. 2050). Therefore, a charge of (R. 2050) 18½¢ a bale all over the season would make quite a difference to a cotton merchant and would be a very controlling factor in his organization or his business.

(Mr. Enoch: It is understood that we object to all testimony in regard to the question of a charge for first concentration, or in regard to whether or not there shall be a second concentration free, or whether cotton shall move flat and compressed on one rate, on the ground that these questions are not before the Commission in this proceeding. To avoid delay we need not interpose an objection each time, but it will be understood that we make that objection.)

(Examiner Money: That will be the understanding.) (R. 2053).

[fol. 537] WITNESS H. W. MOORHOUSE

I am with the Brookmire Economic Service, Inc.; my profession is economics. My first experience began with farming in the Imperial Valley in California, where I farmed for several years. For seven years I was head of the Department of Economics and Marketing at the Oklahoma State Agricultural and Mechanical College, and for four years I was head of the Research Division of the American Farm Bureau Federation at Chicago, and since then I have been in my present position. I am in charge of the Agricultural Division of the Brookmire Economic Service. The business of that organization is to furnish reports on business and investment conditions to its clients. I have done graduate work at the University of Wisconsin and at Chicago University (R. 2054).

In Texas and Arkansas, agriculture furnishes two-thirds of the primary wealth of the state. In Oklahoma and Louisiana, agriculture supplies about one-third of the primary income. Cotton supplies approximately three-fourths of the farm income of Texas and Arkansas, and almost one-half of the farm income of Oklahoma and Louisiana. The secondary industries which have grown up to take care of the cotton industry, are tremendous. This is shown by the growth of banking (R. 2057). Cotton marketing has become more and more localized since the Civil War. The whole organization of the industry has been built upon that basis (R. 2060). This development was in the interest of the industry; the local bank has in view the broader interests of the community, and can finance the merchandising

of its cotton more intelligently than the factor. When cotton moves to port, the banks there want the business. The local banks are thus deprived of the business which is profitable to them. Cotton piles up in the Fall and must be stored (R. 2061). The logical place for the development of storage capacities is near the point of production. It is not feasible for the producer or merchant who has taken it out of the producers' hands, or the local buyer, to handle it at long range. Also, exports are not now following as rapidly after ginning as they did previously. While before the ware 70% of the cotton was exported in the five months from September to January, in recent years it has dropped [fol. 538] to about 57% for the same period (R. 2062). Europe is following the policy of hand to mouth buying which has become so prevalent in this country in all lines of industry. The responsibility for storing and carrying the product is pushed back upon the producer, and cotton handlers in this country. The theory of transportation, which we may define as good common sense, bears out the records that cotton may be taken to the port most advantageously if it is stored in the interior and carried in a more even flow to shipside. The obvious desideratum is for railroad equipment to be used during the ginning season in getting the cotton to nearby storage points where it is safe from country damage, and yet in the hands of local people who can carry through the marketing processes in an orderly way. If the movement of cars to port are more evenly distributed throughout the year, there is more likelihood of these cars moving back to interior points, filled with (R. 2063) industrial products. Furthermore, any influence which causes the cotton of a given area to lose its identity, and become merely cotton is a movement in the wrong direction (R. 2064). In my judgment it is a safer policy to encourage more localized marketing. This does not diminish the opportunity of the big operators, but does make competition by others possible. If any advantage is to be given, it should be with the interior market, where those who have participated in the production of the cotton have some chance at least of carrying the marketing process through to a conclusion. There is a growing tendency for mills to send representatives into local territories to buy direct. This is highly to be desired and can best be encouraged by expanding the interior market. The rapid ex-

tension of cotton manufacturing in the cotton states is very important, and will continue in the future. It will accentuate the need for adequate interrior markets, and the producers and the industries will profit accordingly if intertior facilities have been maintained and enlarged (R. 2066). The operation and growth of both the interior and port [fol. 539] facilities, under a transportation rate adjustment that would give advantage to neither, but allow both to compete on equal terms, would in my judgment be in the best interests of producers and of the whole industry (R. 2067). My Exhibit A-84 shows the production of cotton in each of the cotton states for the last four years, the percentage of farm income represented by cotton, the production by districts in Texas, Oklahoma, Arkansas, and Louisiana; the percentage of farm income furnished by cotton, by districts, etc. It gives information also in regard to the financing of the production and distribution of cotton, the development of banks in the cotton states, the centralization of cotton merchandizing, the trend of production, consumption, and export, the distribution of the ginning and sale by farmers, through the different months of the year, the distribution of export, through the different months of the year before and after the war, and the percentage of domestic consumption each month (R. 2075). It also shows information in regard to the production and consumption of cotton by manufacturing activities, as distributed throughout the different sections of the United States (R. 2076). It shows also information in regard to the general price level, from 1880 to date, and the different wage levels from 1907 to 1925, in addition to other information (R. 2078).

Cross-examination:

I have had no experience in the cotton merchandizing business, or in the producing business. I made certain inquiries on the ground from bankers and cotton men at Dallas and over the territory. I was in Houston one day with Mr. Griffin. I talked to no other cotton merchants at Houston or Galveston. Economy in handling is to the benefit of the [fol. 540] producer and consumer. I have not entered into the subject of costs at all. I have not studied the growth of local financing in the last six years. I have no information

as to the extent to which cotton is mortgaged prior to harvest. I have no figures on interest rates or the extent to which small interior banks finance cotton.

WITNESS HARRY WILLIAMS

I am Secretary-Treasurer of the Texas Farm Bureau Cotton Association, Dallas, Texas. I have been President of the Association two years, and Secretary one year. The Association is a co-operative association of cotton farmers, organized under the laws of the State of Texas, for the purpose of merchandising cotton produced by farmers who are members. It has been in operation for five years, and has approximately 50,000 members, who produce annually approximately 10% of the cotton grown in the State of Texas. The Association is particularly interested in obtaining the most economical distribution of cotton from the producer to the consumer, and its interest in the present case is from the standpoint of the cotton producer who pays the freight (R. 2114). The Association performs a merchandising service for the producers, and follows the general practice of concentrating its cotton at a Texas port. It has no interest in any particular port, nor in any compress or cotton warehouse. In the transportation of cotton, it is frequently desired that certain special services or special privileges be granted by the transportation company, and it is the position of our Association that wherever such a privilege or service involves any additional services by the railroad, and is of substantial value to the owner or shipper, the person [fol. 541] requiring such special service or privilege should pay a reasonable price therefor, to the end that no unnecessary burden of cost should be placed upon the industry as a whole (R. 2115). It is our position that the present adjustment on cotton in Texas is already unduly high, due to transit privileges which are granted to a part of the shippers without charge (R. 2116). Under no circumstances should the freight rate now paid by this Association be increased in any amount as a result of this investigation. We believe in the orderly marketing of cotton throughout the season (R. 2117). Our organization undertakes to market its cotton throughout the year. The farmers them-

selves do not do the marketing. We have our own group of classers and salesmen that do that for the farmer. We borrow money on our cotton in storage; that money is borrowed both from the local banks and from the reserve City Banks and also from the State Banks. We store our cotton at present at Houston (R. 2119). We have borrowed money from almost every section of the United States, and we have not had any difficulty because the cotton was not located in a warehouse where the bank was that loaned the money. This year approximately 50% of the money we borrowed was from small interior banks that offered us money for our paper (R. 2120). None of them raised any objection about the location of the cotton.

Cross-examination:

We do not use the back haul privilege, nor interior concentration (R. 2121).

[fol. 542] We sell some cotton to the southeastern mills (R. 2122). I intended to say that we do not use the back haul in the concentration of our cotton at Houston (R. 2124). We represent about 10% of the production of cotton in Texas. I believe that the other 90% of the production should have facilities by which they may orderly market their cotton (R. 2126). I believe that people that use one service should pay for it and people that use another service should pay for it. I do not know whether we use those services in going to the southeast through Houston or Galveston. We want to pay for them if we get them (R. 2127). I believe that the other 90% should be able to market their cotton without penalty to the producer.

Our plant is located at Fifth Ward in Houston: it is considerable distance from the ship's berth; I don't know how far (R. 2128). I do not know what it costs to deliver cotton from our warehouse to ship's berth (R. 2129). It seems to me reasonable to suggest that if there is a charge for second concentration, there should be a charge for first concentration (R. 2130). I do not know how the Texas farmers who are not members of the Texas Farm Bureau Association feel about a penalty for concentration in the interior (R. 2133). Eight to ninety per cent of the Farm Bureau's cotton consists of 1 to 5 bale shipments. Fifty or

sixty per cent would constitute one bale shipments. Our members ship as they gin it, and usually (R. 2136) the small farmer will not gin more than 1 bale in a single day. The members deliver their one, or two or five bales to the railroad station, and we advance them so much per bale on receipt of bill of lading in our office (R. 2137).

WITNESS T. M. EDWARDS

I am Sales Manager for the Texas Farm Bureau Cotton Association, Dallas, Texas. I have held that position four years. I have supervision of the selling of the products of the members of our Association (R. 2138). The sales of our organization are similar to that of any other cotton merchant. We sell our cotton to the highest bidder, whether [fol. 543] he be in Texas, Oklahoma, the eastern mills, or European buyers. Our method of assembling cotton, however, is a little bit different, because we have no control over the territories in which we get cotton from our members. We put out a contract to be signed by as many of the farmers as we can convince to sign it, and they may be located as various points within the state, and are located in various points in the territory. Therefore, we can not control the amount of cotton that we might get in any one territory, and it is not practicable, from that standpoint, for us to undertake to concentrate in the interior, because we might develop only ten bales at one point (R. 2139). Other merchants follow the practice at times of buying in certain territories, in order to secure a certain character of cotton for certain customers. Interior merchants in one season may buy in one section of the territory, and in another season buy in a different section (R. 2140). Some merchants specialize in certain types and grades of cotton in their purchases. As contrasted with them, our organization is not able to control the variety of types and grades we receive in any season. We take all the cotton our members raise. We sell our cotton to interior merchants, port merchants, mills in the southeast and east, buying brokers, mills in the southwest, importers in Europe and other countries (R. 2141). There is no rea-

son why we could not concentrate our cotton at some other port than Houston, if the facilities were provided for the concentration. I believe that the interior merchant has an advantage in the marketing of his cotton by reason of having an opportunity to obtain a through export bill of lading (R. 2142). It means he gets his money quicker, has a larger turnover on his capital, saves interest and demurrage. The [fol. 544] saving in interest and other advantages off-sets the 3½¢ difference in the rate, I assume, because it is placed there. I don't know whether 3½¢ or 2½¢ will take care of the additional advantage, but some figure along there will do it. We export about 60% of our cotton (R. 2144). On that part, we get our money whenever there is a port custody bill of lading signed for the cotton, and not when we ship it from the interior. The grower, or the country [fol. 545] owner of cotton can handle his cotton through the port, through various agencies, or at the interior, as he may select. I think it is practiced to some extent (R. 2145). Under the two rate plan, the shipper can ship to the port on the 80¢ rate, have the cotton compressed to high density for 75¢ per bale, and delivered to shipside out of that charge, and save 15¢ per 100 lbs. on the Ocean Rate, thereby getting to shipside for 80¢. That method can be availed of by the interior concentrator. The delivery to shipside out of the compression charge has nothing to do with railroad service. It results from competition between the compresses. If the two rate plan were done away with and the one rate should be made 83¢, it would cost the producer as much more to get to shipside as the difference between 80¢ and the rate established, 83¢, unless he could find somebody else to absorb it (R. 2148).

[fol. 546] Under the one rate plan the incentive which caused the port compresses to absorb the cost of delivering cotton from the compress to shipside would not exist. Under such plan, with the railroads absorbing the cost of drayage from the press back of the water front at Galveston, or some analogous service at Houston, the owner of the cotton would pay for the drayage to the water front, because the total cost of getting it to the water front would be paid for by him in the last analysis. In that event, it would not be necessary for the back of the water front press to absorb out of the compression charge of 75¢, the

drayage, in order to compete with the water front press (R. 2149). If one merchant could get to shipside for 80¢ and another merchant had to pay 83¢, the 80¢ would set the price of the cotton as a result of competition. The man paying 83¢ would have to absorb the difference out of his profits if he did not get other compensating services for it (R. 2150). We do not believe that the shipside on the local rate should be equalized, because the man using the through bill of lading would have an undue advantage over the men shipping on a local bill of lading, because of demurrage, etc. We could use the through bill of lading, but I do not think it is practical for all people to concentrate at the ports, or for all of them to concentrate in the interior. We believe that the cotton merchants, people like Anderson, Clayton & Co., McFadden & Co., and Charley Tarver have done more toward seeing that the farmer gets nearer the value of his cotton than any other factor up to now, and I believe that has been brought about by competition between these merchants (R. 2151). If the one rate plan is adopted and that rate is higher than 80¢ it will cost us more to get to shipside, and I do not believe there is a justification for raising the revenues of the rail-[fol. 547] roads from cotton. We want to see competition maintained on an equal basis between those who operate in the interior and those who operate at the port. We do not concentrate any cotton in the interior, and have not for the last four years. Interior concentration on a through rate is a valuable privilege to a merchant (R. 2152).

We are in favor of permitting the stoppage of cotton in the interior transit. There are men operating in the interior who, for reasons of their own business, keep their cotton stored in the interior for concentration, and they ought to have the privilege of doing that. We think that it should be given to them without any charge, so far as it is not giving them a service that gives them an undue advantage over competitors and is along the most economic lines of handling cotton (R. 2153). The concentration privilege is a special service rendered by the railroad for the cotton shippers; it is a service of appreciable value to the cotton merchants; it is of the same value that concentration at Houston would be to the merchant located there and handling his cotton at the port (R. 2154). It is my

opinion that should be charged for, any special services that are performed for them should be charged for in proportion, and that applies to any shipper. On cotton shipped through to the southeast by rail, we avail ourselves of the transit privilege offered by the railroad at Houston. If it is a service performed for us, then we should pay for it (R. 2155). The compression allowance should not exceed the savings to the carrier by virtue of the compression.

Cotton is switched on the local switching service from the Fifth Ward warehouse that we use in Houston to the shipside. When received in the warehouse at Houston, we [fol. 548] do not know what the final destination will be. It is taken through the same merchandising services that are performed at concentrating points in the interior, the same as the port merchant would utilize under the same conditions, I think. About 10% of our cotton moves out all rail to New England and the southeast (R. 2168). Sixty per cent of it is exported by ourselves. The other 40% is disposed of locally at Houston or shipped to the southeast or east. That means that 30% would be disposed of to merchants, interior merchants, or port merchants. I do not know where it goes after they get it (R. 2169).

Cross-examination:

The position of the farm bureau is that the freight rates should be based upon the actual cost of transporting the commodity via the shortest direct route, if there is nothing else involved affecting the net proceeds of the cotton to the producer (R. 2170). The rate should be based upon the shortest direct route, and should include nothing except transportation of the commodity from point of origin to destination, if that is the most economical way of moving the cotton to destination. I am not qualified to say whether or not that is the most economical method. We believe there is a reasonable out of line service that should be permitted, but what that reasonable out of line service is I would not undertake to say. Our position on the question as to whether or not there should be a charge made for [fol. 549] concentration depends on the service that is rendered the owner of the cotton in concentrating it, the question of whether or not that cotton involves a back haul, the question of the value of the concentration from the

standpoint of its final movement, and the question of the penalty on cotton passing a compress (R. 2172) where an inter-state rate applies. All unreasonable back hauls should be eliminated. The movement of cotton for the purposes of concentration and the movement of cotton for the purpose of reaching its final destination are two different things, and have a different bearing on the net proceeds back to the owner of the cotton and should be taken into consideration when the rates are made (R. 2173). I think also that the rates should be made with the view of encouraging the location of cotton mills in this State (R. 2174). It is my position and the position of the farm bureau that the rate on cotton from Gainesville to Houston should be based only upon the cost of transporting that cotton from Gainesville to Houston; that there should be taken into consideration whether that movement from Gainesville to Houston is for the purpose of concentrating for sale, or whether it is being moved through Houston for the purpose of reaching its final destination. If it is moving from Gainesville to Houston for exportation, it should move via the most direct route, and the freight rate should include only the bare cost of transportation service from Gainesville to Houston, with a reasonable profit to the carrier. I believe that is my position. I am not certain of it (R. 2176). We are not looking at this from the viewpoint of our members; we are looking at it from the viewpoint of all the farmers. It is the position of the Farm Bureau that on the movement from Gainesville to Houston for export the rate should include for the interior man some amount, we do not say it is 3½¢, in addition to the freight rate to cover the interest the interior man gets on his bill of lading that he deposits in the bank in the interior. He should pay for the additional service. The issuing of the negotiable bill of lading is an additional service (R. 2178). Furthermore, he is rendered a service by the agreement that the carrier will hold the cotton in the cars if necessary until the steamship company can receive it from the railroad. I think the average detention should determine the cost to the railroad and the charge which the shipper is to pay. It is the position of the Farm [fol. 550] Bureau that the interior man should pay the railroad for the privilege of banking his commercial paper and also for demurrage on cars if he uses them (R. 2178).

If he does not use the free time, if the car is released the day it gets to Houston, he should pay for the average use of it. The whole movement should pay for the average cost to the railroad. The man that makes the shipment and does not detain the car does not get the benefit of the average like the man who does detain the car, but he has the privilege of keeping it there for eighteen days if he so desires (R. 2179). If the privilege is exercised on the average to the extent that it will reach any figure, the freight rate ought to be based upon the privilege whether a man exercises it or not (R. 2180). The privilege should not be paid for by the man who is not using it, only to the extent that I do not think you could separate the average time allowed for demurrage and a particular shipment (R. 2181). I think the question of demurrage ought to be treated in its entirety as to the whole movement of the cotton (R. 2182). Each shipper averages 10 bales as his total shipment, and the bills of lading average about 3 bales. If we undertook to concentrate at every place where the farmers are located, we would probably have some very small lots of cotton. We might have some large lots in some places, for instance in Dallas, and that feature is not the only reason we do not concentrate in the interior. We would have our grades and staples scattered throughout the State, and it might delay the collecting of the grades and staples to market (R. 2188). I do not know that it would take us any longer in getting ready for export. I think it takes us longer to get cotton ready for shipment than if we were concentrating in the interior, but it would not be as satisfactory. I believe that we could collect 100 bales from 100 [fol. 551] different points and get them ready for shipment quicker than if we had all of those 100 bales at one point, understanding that that point to the port is not farther away than the point of origin (R. 2189). After concentration, of course, we could move it out quicker from the one point. I believe that the total movement from the point of origin could be done quicker from the interior (R. 2190). We seek the most advantageous markets when we are ready to sell, and we sell for the highest price offered. The southeastern cotton mills form a very important market for cotton from Texas, but they are not as important as some other markets. New England is an important market for Texas cotton, but

[fol. 552] not as important as some others. I have never shipped to the Japanese market through the Pacific coast. The Japanese market is a reasonably important market for Texas cotton. Also the European export market (R. 2191). It is a fact, I think, that competition in these various markets is of benefit to the producer. The producer pays all of the cost of delivery his cotton to these consuming cotton mills in all of these markets. That includes any charges whatever, including such charges as might be charged for co-centration, back haul, and out of line service (R. 2192). I think that the New England mills, competing with the southeastern mills for Texas cotton, would take into consideration in the price he would offer to meet that southeastern competition, what it would cost to lay the Texas cotton down in the southeast (R. 2194). I imagine that the total cost of the movement of cotton i staken into consideration by the mills when they go to buy it in meeting each other's competition (R. 2196). Moving cotton from Lancaster back to Abilene, about 16 miles, for the purpose of concentration or for any other purpose, is certainly less than the distance moving it from Lancaster to Houston for export, and that is not necessarily an unreasonable back haul, and I do not attempt to say what is an unreasonable back haul, and I do not admit that cotton moving from Sulphur Springs to Houston for the purpose of assembling and for sale and then moving into the southeast is a back haul (R. 2197). It is our position that we want to avail ourselves of shipping Texas cotton through Houston for assembly and shipment to the southeast, or to any market in any direction we may be able to sell it. If that movement is a burden on transportation we are willing to pay whatever it costs us as compared with some movement in some other direction. We are willing to pay for first concentration to the southeast if it is charged to the interior (R. 2200). The shipper in the interior, handling cotton for the farmers, and the shipper in the port handling for the farmers, ought to be on the same basis, so that absolute competition between the two may be maintained.

If there is no unreasonable back haul that enters into the movement for first concentration in the interior, if there is no one rate plan whereby a shipment that has passed a compress in the interior and by virtue of that fact assumes

the status of *of* an inter-state shipment (R. 2202) and be subjected to the penalty of 12¢ per 100 pounds, and this [fol. 553] service performed for the shippers by the railroads in the interior is made up for them in the aggregate in some manner, as it is now made up, or approximately so, we are willing to grant the privilege of concentration so long as it is not charged any other place on the theory that 3½¢ or 4¢ or whatever that may be fixed at will pay for the additional services that they can get in the movement on the cotton. On cotton from Texas moving to the east through the Texas ports, concentrated at Houston and going to New England, the Farm Bureau should pay for the privilege of concentrating at Houston if it is concentrated for the purpose of moving in some other direction, if not, I don't think you should. There is a certain service performed by the railroad, and if it is given in one place free it ought to be (R. 2203) given in another place free. We sell some of our cotton for concentration in Galveston, moving out of Houston. On cotton of the Farm Bureau originating at Abilene, and moving via Houston to the southeast, whether or not we should pay for the out of line service is a difficult question. It may be just as feasible from the transportation standpoint to move that cotton around through Houston as to move it direct, and I expect it would be the longest haul for the railroad originating it, the Texas & Pacific, and that would have something to do with it. I do not believe that all of these out of line services may be reasonable. I think there are some that are permissible that are unreasonable. I would not attempt to point them out, because I am not sufficiently familiar with them myself. We now store our cotton at a back from the water front facility at Houston known as the Fifth Ward Facility. We store about 80 or 90% of it there (R. 2205). We pay $1.15 per bale for the use of those facilities at Houston. Under that contract, a bale can stay in the warehouse for thirty days. After the thirty days, there is 1¢ a bale a day for storage and no further charge (R. 2206). The $1.15 includes receiving, weighing, sampling, furnishing tags, tagging, putting class tags on the cotton, marking, patching, putting the cotton to high density, and delivering it to shipside. The genearl service is concentration and delivery to shipside. The charges are not set forth indi-

vidually, the lump sum including all of the services. Deliveries are made by switching to the shipside; I believe that all of it moves over the wharf of the Houston Compress plant (R. 2207). The $1.15 includes the switching charge. [fol. 554] It does not include wharfage. I recall a conference with Mr. Fain and Mr. Tarver about storing cotton in Dallas. The Farm Bureau might have informed them that if we could profit by it we would give them some of the business. We are out for the cheapest method of handling the cotton, but we did not make any promises. I do not believe that we told them that we would give them the business if their charges were equal to those at the port, or a portion of the business (R. 2208). They were people that we know and that we like, and if we could turn them any business it would have been a pleasure to do it, but we did not want to do it at any expense to us, although the offer made may have been the same. We did not want to maintain two sets of classers, one in Houston and one in Dallas. That costs money. We compared the total cost of moving the cotton, in dollars and cents, at Houston and in Dallas (R. 2209). I think that the rate offered us by the warehouse at Dallas was about the same. The handling charge was cheaper than the one we felt we were paying if we undertake to divide up the $1.15 we pay at Houston. I think it was 25¢ a bale. I do not remember that the charge the Dallas facility offered us approximated $1.10 a bale for the same service we are getting at Houston. I do not know whether they cut their tariff in order to get our business (R. 2210). The whole objection to the one rate plan is that we believe the two movements for the interior shipper and the port shipper should be paid for on a cost basis in order (R. 2216) that their cotton selling will be on a competitive basis. We are willing for the interior man to reach the wharf on the Texas 80¢ intra-state rate. We object to the one rate being made although it would be 80¢. Our objection is based partly upon increased freight charges that the farmer would pay. It is based on the whole movement of the cotton, and we do not want to pay an increase on cotton through the port, and we do not want anybody else to (R. 2217) do it unless the railroads are not earning the amount of money on cotton that they should. We object to the one rate plan because we believe there is a special service performed for

the interior shipper who is shipping on a through bill of lading, and who gets a first concentration free; we believe that in a measure the difference between the two rates as they now exist, 83½¢ and 80¢ probably will make up that difference, and we believe that if it is removed (R. 2219) the man that is availing himself of these services in the [fol. 555] interior will be handling his cotton in its entirety cheaper than the man handling his cotton at the port and not availing himself of it; we believe that the two rate plan ought to be maintained in order that competition between these two cotton merchants may be maintained. Furthermore, as I understand it, if a one rate plan is put into effect, and any of our cotton passes a compress whether it is cheaper to pass it or not, and we export that cotton, the inter-state rate will apply to that shipment and we will be subjected to a penalty of 12¢ per 100 pounds by virtue of the cotton passing the interior compress. There should be no difference in the freight rates or privileges of the man who handles cotton for the farmer and the cotton merchant (R. 2220). The Texas Farm Bureau Association carries interest on its books as an overhead charge. I imagine that the average time consumed in getting shipments from the interior to Houston is about 10 days. The average size of those shipments when received at Houston is between 3 and 10 bales per bill of lading. We will say 3 (R. 2221). I cannot say what the average size of a shipment received in a car is, but all the cars I have ever seen were full or about full. We may get some less than that, and I expect we do. I think some of our shipments move over to what we call a mixing platform and then come to us (R. 2222). Some of our members accumulate their cotton at the gins until they get a shipment, that is, a reasonable proportion of what they expect to ship, accumulated at the gin or at their farm or some other place, and then ship it to us all at once; there are others who gin one bale and ship it to us (R. 2023). Our Association is gradually drifting to the large farmers. When the shipments of 1, 2, or 3 bale lots are placed under lading at the station, if there is no other cotton of any other member going in the same direction, the railroad has to furnish a car to send it to the compress point. I imagine if there is only 1 bale there the railroad

would get it to the compress point because they contract to do that. After being compressed at the compress point, if it does not have other cotton going to Houston to accompany it, I imagine the railroad would get it there for us in some way (R. 2224). There are a good many things that the railroads do not have to perform on that kind of shipment, and I think the rate is made on a basis of less than carload lots (R. 2225). I will not admit that the small shipments that move from the weigh stations to the compress points and are there consolidated into car loads re-[fol. 556] ceive any special service. I do not know of any special service connected with the business of the Texas Farm Bureau as it now exists (R. 2226). I think that the question of interest enters into the proceeds to the farmer for his cotton if it is a cost of getting cotton from one point to another (R. 2227). I do not believe that interest is a transportation cost in the sense that counsel has in mind. I do not say that the cost of growing and marketing cotton to the farmer is one of the criterions by which the commission should judge their transportation rates, except that it should be taken into consideration insofar as it would be most profitable to the country as a whole, that all people handling cotton are placed upon a competitive basis (R. 2228).

WITNESS J. J. MORRISSEY

I am statistician in the office of the Vice-President and General Manager of the Santa Fe at Galveston. I have held that position for about eight years (R. 2236). The [fol. 557] Exhibit introduced by Mr. Dalzell, shows the Exhibits 110, 111 and 112 introduced by me in I. C. C. Docket 11.965, and also my testimony in that case (R. 2237). (The Exhibit was objected to on the ground that it goes to the reasonableness of the compress allowance and the objection was noted.)

My testimony given there was true and correct for the purpose intended at that time in Docket 11,965 (R. 2241). The figures are correct for whatever purpose they may be used. I have not made any similar study based on costs in 1925, or the present year, or 1924. I do not think that the cost of switching at Galveston, and other points on the

Santa Fe in Texas per engine hour, during the past two years, is very much higher than previous years. I think economies have been accomplished that cut down the cost. We have been able to off-set some of the increases (R. 2043). Fuel costs have been increasing all the time, and it requires a great deal of care to off-set that. I identify Exhibit #A-85 as a copy of my testimony and Exhibit filed in I. C. C. Docket 11,962. The Exhibit is correct insofar as the purpose for which it was intended, and that purpose was to arrive at a percentage of difference, based on the selected items of cost, between the handling of flat cotton and cotton compressed in transit. The percentage of difference arrived at was 82.39% flat, over compressed in transit. It was not my object to determine the full cost of transporting flat cotton compared with compressed in transit. Had this been my purpose, I would have gone further by applying the 82.39% to the maintenance of tracks, car repairs and all other expenses which this extra service should bear. The estimate does not include anything to cover track maintenance, bridge maintenance, ties, rails, switches, interlockers. It does not provide for repairs to freight cars, or other overhead equipment expenses, Superintendents, train dispatching, station employees, station supplies, signal and interlocking operations, telegraph and telephone operation, stationery and printing, clearing wrecks, damage to property, damage to stock on right-of-way, loss and damage to freight, injury to persons, traffic or general expense, taxes, rentals and interests [fol. 558] on the value of the property, based on the (R. 2260) excess service rendered. The selected items consist only of locomotive repairs, engine house expenses, fuel, other locomotive supplies, engines, and train-men, and train supplies and expenses. The average of these expenses was $1.50 per 1,000 gross ton miles. I have prepared an Exhibit which I now offer, based on the combination of Exhibits 110 and 112, both of which are part of the Exhibit I was called upon to introduce. Exhibit 112 shows the entire cost of maintaining and operating the Gulf, Colorado and Santa Fe, per 1000 gross ton miles, during the period specified, the average being $4.99 per 1000. By substituting this $4.99 for the selected cost of $1.50, and eliminating the extra switching, the result will be 99¢ increase per bale

flat over compressed without any provision for taxes or interest on the property involved. Using the selected cost figures, to represent the entire proportion of cost, is the equivalent of using 30% of the entire expense to determine the entire cost of the service, and $1.50 is just 30% (R. 2261) of $4.99. I prepared and filed this $4.99 as a safe-guard in connection with the $1.50 selected expenses, and presented both at the same time, with a view of showing that the $1.50 did not represent the cost of the service. The application of the $4.99 is deemed conservative in view of the fact that it has been estimated that the cost of handling cotton was generally in excess of the cost of handling carload freight. The same unit of cost has been applied on the movement of both classes of cotton. I made Exhibit 110 at the request of the Traffic Department, who asked me to figure out some difference between the cost of handling compressed and uncompressed cotton. I saw the danger of figuring on that basis, that is why I filed Exhibit 112, fearing that some person not well versed in operating expenses would seize upon the selected cost expenses and confuse them with the operating expenses, and that is exactly what happened today, and I wish to state that the Exhibit which was handed me for presentation, does not reflect the true difference of cost between the transporting of flat and compressed cotton. I offer another Exhibit, which is a true copy of my testimony at Austin on September 8th, 1923, in Texas Railroad Commission Docket [fol. 559] (R. 2262) #2234. The evidence together with cross examination and rebuttal is fully and accurately reproduced in this Exhibit, and was copied from the official record under my immediate supervision (R. 2263). Cotton traffic has certain elements of expense due to the switching of it and the small loading as compared with other commodities, and also due to the export facilities and tracks. I would not use the net ton mile basis in the case of cotton, because it would eliminate train expenses. The gross ton mile is proper; that is what I used (R. 2264). As to whether the switching at Gainesville on cotton originating in Oklahoma, destined to Galveston, is a fair representation of cotton switched from local points in Texas, compressed and moving to Galveston, I will say that we have a very short switch at Gainesville; the plant there is

very compact, there is no long switching distance, and no interlocking operation (R. 2265). In Exhibit A-87, I made no calculation of the additional cost to the railroad by reason of the necessity of increased facilities to handle flat cotton at the port; it looked too big. I could not make an estimate of it. Where you handle two and one-half cars to one, you are bound to have the greatest congestion possible. It would be a problem to operate a single line of tracks; the cars would back up on the main line on passing tracks (R. 2266). I could not estimate the additional cost that would be entailed upon the carriers if all cotton was handled flat; it was too big for me (R. 2267).

WITNESS T. M. EDWARDS, RECALLED

A reasonable back haul and reasonable out of line service should be permitted under both the 80¢ and the 83½¢ rate (R. 2268). I think that the special service of concentration should be paid for in both the intra-state 80¢ rate and the inter-state 83½¢ rate (R. 2270). All special services should be paid for in some manner, but I do not mean necessarily that there should be a charge on the first concentration. The two operators should be on the same competitive basis, and if the two rate plan, the 83½¢ [fol. 560] as against the 80¢, is payment in proportion for all of the service, including concentration and the use of a through bill of lading, then that may be enough to put them on an equal basis (R. 2271). I am assuming that this service may amount to the 3½¢ they are now paying in the difference between the two rates. It is true that they have the same service now, under the 80¢ rate. They have the same concentration service and transit privileges as they do under the 83½¢ rate (R. 2272). My point is, that if they should equalize the two rates, and make them the same figure, the man that concentrates in the interior, would have an advantage over the man that concentrates at the ports, and that that advantage ought to be made up somewhere else. If you want to make it up on the first concentration, that would suit me. I don't know whether it ought to be made up there, or whether it ought not to, but I do believe that the difference between the two services should be paid for in proportion to the service. If there is no

change in the present rates, I think the present arrangement is correct (R. 2273). We do not favor Houston as against Galveston or the interior, because if our business grows as it has in the last four or five years, we are going to have to concentrate cotton in the interior, and whenever we do, if we get any privileges or special favors, we are willing to pay for them. Both the 80¢ rate and the 83½¢ rate today permit out of line service, and free concentration (R. 2274). I would not permit more out of line service in connection with the 80¢ rate, than in connection with the 83½¢. I believe it should be the same as to both rates. If there is going to be free first concentration, there should be free first concentration on the 80¢ rate, and free first concentration on the 83½¢ rate. If there should be a charge for first concentration, our position is that there should be a charge for the first concentration for the man who uses the 80¢ rate, and also for the man that uses the 83½¢ rate (R. 2275). It would not satisfy our objection to the through rate, if the export demurrage tariffs were cancelled. It does not make any difference to us who pays that. (R. 2281). I imagine that you will cut out your through [fol. 561] bills of lading if you do cancel it, because I do not think the Steamship Companies will assume the obligation, and I do not think the through bill of lading should be stopped. If the through bills of lading were cancelled, that would get rid of two of our objections in this case. I do not want the through bill of lading cancelled; we need it. I do not think that the demurrage ought to be cancelled, because that would stop the shipment of through bills of lading. I am not complaining about the through bill of lading and the demurrage. I am saying that the interior concentrator and user of the through bill of lading, has an advantage by virtue of that usage over the man that does not use it. It would not eliminate that advantage to cancel the through bill of lading and the demurrage. If they used the through bill of lading it would not (R. 2283). The rate offered to us by the Shippers' Compress and Warehouse Company at Dallas, which we will assume was $1.10, did not include shipside delivery; but we could have gotten to shipside at 80¢ by shipping on a local bill of lading; we would have had additional charges for high density compression, and if we were going to export

the cotton that would have been the logical thing to do because there is a profit in the saving of the charges on it (R. 2284). I think that the proportion of our cotton brought in on wagons to the compress points, as compared with cotton originating back from the compress point and hauled in there by rail, would be about equal to the proportion of the cotton of other people handled in the same way. The man who ships his cotton into the compress point 40 miles on the railroad, should not have to pay for the extra service over and above what is paid by the man who hauls his cotton into the compress on a wagon 40 miles, unless that 40 miles is an extra burden on the railroad or unreasonable. I do not know whether a 40 mile haul is a burden on the railroad (R. 2290).

I would say that more service is performed on the through bill of lading than on the local bill of lading for export, because the shipper can get his money on it quicker. If there is more service performed, I think the rate should be in proportion to the service performed. If, in the entire movement of the cotton, from the point of origin to its final destination, it is shown that the port man has a 3½¢ advantage, [fol. 562] or any other advantage, it ought to be removed, and if, on the other hand, it shows that the interior man has an advantage, that ought to be removed, but my position is that as it stands right now, there is no material advantage to either one. If it were not for the question of competition, I believe the Commission should not stand in the way of progress at all, and if somebody builds a warehouse on the shipside, and that is the most economic way of handling cotton, they ought to be able to handle it as cheaply as they can, just as a theory of moving cotton, but there is a good deal more than that in it to the farmer, and the owner of the cotton, and that is the fact that he wants all of the people that handle his cotton for him on a competitive basis. If I were competing with somebody personally, I would like to have 18¢ per bale advantage over him (R. 2301). I do not know whether that is quite an advantage or not, but it would be at least that much. But I do not admit that anybody has that right now. I do not contend that we are delivering cotton to the ships' berth at Houston at a transportation charge or cost to us of only 80¢ to Texas common points; we do not do that. That is all we pay the railroad; the

warehouses at the ports, in quoting us a rate, take into consideration the cost of transporting from the warehouse to the ship's berth. The competition between the warehouses, however, has gotten it down on a cheap basis, and it has inured to the benefit of the farmer (R. 2302). We handle from 200,000 to 300,000 bales of cotton at Houston annually (R. 2303). We handled 286,000 bales, I think, last year.

We handled 286,000 bales last year, 1924-1925, and about 200,000 bales the previous season, and about 80,000 bales the season before that, 1922-1923 (R. 2312). We never handle any Oklahoma, Arkansas or Louisiana cotton. We do not buy any cotton at all (R. 2313).

A movement of cotton from Sulphur Springs, or from Abilene shipped to Houston and re-shipped to Columbus, Georgia in the southeast, might be considered a reasonable out of line service, because certain railroads have routes leading through Houston that would give them the long haul on the traffic. If that movement did not unreasonably delay the delivery of the cotton to final destination, it would [fol. 563] be all right for the railroads to move it that way if they wanted to (R. 2314). What is reasonable for us would be reasonable for the other 90% of the farmers. I think generally that the principle of the railroad conserving its long haul, and meeting the competition of short routes, could be applied in the interior as well as at the ports (R. 2315). As to whether or not two different routes, from the same origin, taking cotton to a common destination, should be permitted to compete for the same cotton, I would say that the railroads ought to be permitted to handle all of the cotton it can originate in its territory, if it is not an unreasonable burden on the owner of the cotton (R. 2317). We advance a part of the value of the cotton to our members. The farmer pays interest on that amount, because we charge him back the whole cost of handling the cotton. Our insurance on the cotton is not taken care of out of the $1.15 we pay for the services at Houston.

Redirect examination:

At the time the Farm Bureau gets the bill of lading, we do not know what kind of cotton it is, and it is not available in the sales market until it has been graded and merchandised (R. 2320). Cotton which is ready for export must be

concentrated previously and merchandised in order to get it ready for export, whether it is concentrated by the railroad or somebody else. If the concentration of it involves no service by the railroad and no transit privilege, the shipper should not be made to pay the railroad anything for it (R. 2324). If cotton comes in as wagon cotton and is concentrated before it is ever offered to the railroad, there is nothing that the railroad can charge for in the way of a concentration service. If our organization ships cotton from a point north of Dallas, we would not concentrate it at Dallas. If the carriers stop that cotton at Dallas for compression, and then ship it out to Houston, that would not be a service to our organization. We would just as soon have it come to Houston flat (R. 2325), if it is economical to do that. There is a difference between stopping by the railroad for compression in order for the railroad to save [fol. 564] money, and stopping at the compress point, for the shipper, to enable him to perform a merchandising service. If the service is performed for the shipper at the point where the railroad would have stopped it, to compress it in transit, and if it is concentrated at the compress, that is a service for the shipper (R. 2326). The mills do not send men into this territory to buy cotton direct from the farmers. The shippers assemble their cotton for sale to brokers or buyers who buy directly for their mills, and they offer it to them for sale. A man may come over to this country from the mills to buy cotton, but he generally buys it from someone who has accumulated it for sale, rather than from the different farmers, on the theory that one farmer, I suppose, would not have enough cotton of a particular grade, character or staple to meet his requirements (R. 2327). The competition between the cotton merchants to sell the cotton to the mills is preponderant over the competition between the cotton mills to buy the cotton.

WITNESS W. D. FARRIS

I live at Ennis, Texas; I am a farmer. I am a member of the Texas Farm Bureau Cotton Association (R. 2332). I am Vice-President of that organization. I have served as such three years. Mr. John D. Orr, of Dallas County, a

farmer, is President of the organization. The Officers and Directors of the organization must be producers of cotton (R. 2333). The members of the organization sign an agreement to permit the Association to market their cotton, but the association does not market all of the cotton of its members, because 75 to 80 percent of the farmers have mortgaged (R. 2334). The cotton farmers in the state of Texas are all broke. Cotton is selling today as a rule, in Texas, for less than the cost of producing it. Tenant farmers are worse off now than they were ten years ago (R. 2335) A man with a two team crop must have an investment of something like $800.00 or $1,000.00. It is necessary to hire labor to do the chopping and the picking (R. 2336). There is a greater percentage of the cotton now produced under a [fol. 565] mortgage arrangement than there was ten or fifteen years ago. He usually begins the year in January without a dollar. The share-cropper is better off usually than the tenant farmer, because the landlord know- when he takes him on the farm that he has to feed him. About 70% to 75% of the farming is done in Texas by tenant farmers. About 90% of the cotton is produced on farms not owned by those who cultivate them (R. 2338). The portion of cotton produced by our members which is not marketed by our Association is very large, about 40%.

Cross-examination:

I have been farming in Texas twenty or thirty years. The increased demand for labor during the picking season, has a tendency to increase the cost to the farmer of picking the cotton (R. 2340). We have had several wet seasons that damaged the cotton. There was an agitation about 1913 or 1914 to build up country warehouses protecting the cotton from country damage. That agitation still exists (R. 2341). Interior facilities for the housing of cotton are necessary to the production of cotton. Those interior facilities should be permitted to exist and develop with equal opportunities with all other facilities. That would be beneficial to the producer of cotton. The facilities should be sufficient to handle the cotton in their particular region. At one time, that was not the fact. The farmers had no way in the world of holding their cotton, except out in the rain. We farmers think that the unusually high rate on cotton, as

compared with other stuff, contributes to the poverty of the farmer (R. 2342). It is not a fact that the tenant farmer usually has money in the fall. He hardly ever pays the landloard what he used up in the cultivation of his crop. I am familiar with the drought of last season; that is one of the recurring things that happen to the farmers throughout the cotton section. If it is not the drought in one area, it is the boll-weevil in another. I know the counties involved in the drought area last season. There was a tre-[fol. 566] mendous decrease throughout that vast area, about 750,000 bales decreased in one season, due to the drought. That affected the farmers, the compresses, and everybody in that territory.

Redirect examination:

In 1920, I lost, on my tenants, $52,000.00. In my immediate section, the farms are heavily mortgaged. The finest young men are leaving the farms and going to the City.

Recross-examination:

The tenant farmers' poverty, in my neighborhood and my county, is due to the fact that they have one crop (R. 2348). We have no record of the number of bales of cotton produced by members of our organization which were not marketed by our organization. I base my statement in regard to 40% of it on the statements of farmers as to what they produced when they joined the Association. We ask each member how much cotton he produced the previous year (R. 2350). Our records show how much cotton was marketed through our organization. Some of the members did not want to ship it to us. One of those cases is in court now. I included such cotton in my estimate of 40% (R. 2351).

WITNESS W. D. HAAS

I live at Alexandria. I have lived on the farm all my life. I am interested in the country banking business and have helped other farmers. Twenty-five or thirty years ago, the cotton business in Louisiana was such that the cotton was raised principally by large planters shipping

to commission merchants in the City of New Orleans, handled principally by cotton (R. 2353) factors. There were then no interior cotton buyers in Louisiana. Under the share crop system which resulted from the scarcity of labor [fol. 567] after the Civil War, most of the large plantations drifted into the hands of commission merchants. When the railroads began to build, the first compress was put at Alexandria. That made it possible for interior buyers to get to that territory and buy cotton. Gradually the planters and small farmers worked themselves out of the hands of the Commission merchants, due to the fact that they had better marketing at home than by shipping it to large centers and leaving it to some one else to sell for them (R. 2354). The interior buyer has done more to draw the farmer from the expenses that he had before than any other one thing that has happened. I organized a company and built a compress at Alexandria 25 or 26 years ago and the establishment of this facility for handling cotton has resulted in the growth of business *to* 25 to 30,000 bales a season. Without the compress at the interior point, the interior merchant could not do business. We have no penalty in Louisiana for passing a compress. The railroad companies pay for the compression, because they get a service that is worth very much more to them than to ship flat. Compression would only be directed at points where the business would justify it at some concentration point. I am also interested in a compress at Bunkie. Both this and the one at Alexandria lost money until the last two years (R. 2355). There is no penalty for shipping cotton flat but if he wishes it compressed in transit, the railroad pays for the compression out of the rate, because it can put three bales of cotton, after it is compressed, into the car where it originally had one. The interior warehouses and compresses are reservoirs for the early movement of the crop. If it were not for them, the ports would be congested in the first six weeks of the season. The warehouse and banking facilities at the ports are not suffi- [fol. 568] cient. The country bankers finance the large crop until (R. 2358) it is exported. I know of nothing that has been so important in helping to establish country banks throughout the cotton district in Louisiana than the compresses.

Cross-examination:

I was a cotton buyer for about 25 years, but I have not been for the last two or three years. I am in favor of some adjustment of freight rates so as to continue the existence of the interior concentrator of cotton, and compressor of cotton. Anything that would put the interior concentrator of cotton out of business would be very unfortunate for our country (R. 2361). We have had considerable trouble with the boll weevil in Louisiana, but it has not been so bad in the last two years. I would say that both the interior buyer and the port buyer contribute toward making the price for cotton that is produced in Louisiana. Frequently we have interior merchants who have offices at the ports (R. 2366). I know of no factor or any inequality which puts one at a disadvantage as contrasted to the other. The port buyer has the same advantages at the compress that the interior buyer has. Local merchants at times use both the through bill of lading and the local bill of lading. It is an advantage sometimes that an interior merchant be able to have a through bill of lading. The advantage is that the cotton goes straight through to the consumer on the other side. There may be some charges you would escape in New Orleans by having a through bill of lading (R. 2367). When I was in the cotton business, I frequently shipped cotton to buyers in Europe that would buy their cotton from me on description. I would guarantee the bale, the grade, and the weight, and it went [fol. 569] through without any handling charges anywhere else. I would not get my money any quicker on that bill of lading than I would if I sold it to a buyer in New Orleans. They would take it up just as quick. The old commission merchant was driven out by the interior buyers. The ports merchants that do any extensive interior business have their own buyers in the interior in our territory. Until this last year, possibly 80% of the cotton we handled at the compress at Alexandria was concentrated there by the merchants. This past season there has been more cotton compressed in transit than we have ever had before. That is possibly because port merchants go into the interior and ship through with privilege of compression in transit (R. 2369).

Going through the concentration service sometimes slows down the operation of the compress. You may have half a dozen buyers that order out different lots of cotton. You have got to hunt that cotton up for them by tag numbers. The Compress does that service for the buyer. If he has 500 bales, or 1,000 bales of cotton in the compress, and he wants 100 bales out, he has classed his cotton, and if it be middling grade or strict middling grade, or whatever grade it may be, it may be in different places in the compress, and it takes time to get it and range it for the compress (R. 2372). In storing cotton, we try as near as we can to give each buyer a certain space to store his cotton in that space. We can not always do that. We send a man to locate the tag number, and then the cotton is brought out on a truck. It takes a man or two to help the trucker (R. 2374). We never tier cotton. That is very expensive (R. 2375). Straight transit cotton, on which no concentration service is to be performed, is unloaded, pressed and reloaded; we can operate with the track on one side for un- [fol. 570] loading, and on the other side for re-loading if we are not congested. We have to remove the cotton in blocks of 75 bales or more when we load it out (R. 2376). There is more labor service involved in handling cotton for concentration than there is in simply handling cotton for transit. All concentrated cotton has to be weighed, put on the yard, and classed by the buyer's own classer. The [fol. 571] buyer has it marked under the mark that he wants that particular grade of cotton (R. 2377), and then we put it back in the compress for him and as he calls for it is brought out again. It is a common practice for the employees of the compress, to draw the samples, tag the samples, and mail them to the merchants who may live elsewhere. We make a separate charge for that (R. 2378). Compresses in the interior generally, handle cotton pretty much the same way as we do (R. 2379). We pay the truckers $3.50 for a 10 hour day, double time when we work at night and we have a good deal of overtime during the first six or eight weeks of every season. The overtime work is not due to the extra handling we have to do when we are arranging the cotton to be sampled, and taking it back to the warehouse. It is due more particularly to the fact that the cotton moves very fast in the first two months of the

season (R. 2381). We do not have to handle strictly transit cotton ahead of the other cotton and there is no demurrage on strictly transit cotton. We have congestion at the beginning of every season, and frequently we have had embargoes. If we were handling only transit cotton, we could handle that easier than if we were also handling concentrated cotton, and with greater speed. We could handle either kind by itself to better advantage than we can handle two different kinds of cotton. The railroads in the last few years have required that a bale that is concentrated in transit should be marked for identification purposes. There is a mark on both sides of the bale. My own opinion is that it is a big mistake. I know that it does (R. 2385) no good to the buyer of the cotton. On the contrary it is a nuisance to him. A compress crew under normal conditions would be 35 or 40 men, but last year, on account of the congestion we had as many as 70 men on the payroll (R. 2389). I have never made any study to undertake to see what our labor cost would be where we were doing nothing but compressing cotton in transit. The operation of our press has not been a paying investment. The last two seasons were about the first seasons that we have shown anything over expenses (R. 2396) since the boll-weevil came in that country. I believe we charge 50¢ a bale for con- [fol. 572] centration for the first 30 days. If he does not compress his cotton there, we charge him just the same as if he has it compressed. I think it is understood at every compress in the South that cotton that comes into the compress is to be compressed. If he ships it out flat, he pays for the compression whether he got it or not (R. 2397). We keep the crew, we have the labor, and we are prepared to compress it, and we can not afford to take up our space with cotton that is not being compressed. It may be that warehouse people, who have not the investment in compresses and steam equipment, and in all the other equipment necessary to handle the cotton, might be able to store cotton at the concentration charge. They would not have to have a big crew of labor there in order to handle the business. If we were doing a warehouse business, we could have very much less labor than if we were doing a compress business (R. 2400). There is no concentration of cotton in any town that I know of now that has not a com-

press. None of the cotton that comes to our warehouse is compressed before it gets to us. I have heard of cotton being stopped at some other points for concentration that had been already pressed, but I don't know whether that ever happens in Louisiana. I would say that more than half of our labor cost is incurred in concentrating cotton; it takes more labor to handle concentrated cotton that it does transit cotton. I would not say that concentration makes a large amount of difference in our labor costs, but it does make a difference. If we handle transit cotton, we could possibly handle it with less labor than we do where we handle both (R. 2403) concentrated and transit cotton. The customary practice in Louisiana is that cotton can be moved to the nearest compress in either direction. Alexandria, Shreveport and Monroe compresses compete with Opelousas in the territory between Opelousas and Alex- [fol. 573] andria by getting a back haul (R. 2415). I understand that certain interests are contemplating building another compress in Alexandria. I understand it is to be a high density press. If the charge of 25¢ per 100 pounds is made for putting cotton to high density there, 18¢ of which the railroads will absorb out of the rate, the shipper will get his cotton to high density by paying 7¢ per 100 lbs., and since he can save 15¢ per 100 lbs. on the Ocean rate, thereby, there would be a net saving to him of [fol. 574] 8¢ per 100 lbs.; as a result, we might find it necessary to install high density compress in our own plant (R. 2416). I am not familiar with the recent development of waterside facilities at the port within the last two or three years. I have never operated a high density compress, but I have seen several of them in operation. I should say that roughly speaking the depreciation on machinery and building of a compress would be 10% (R. 2417).

WITNESS S. E. HOUSTON

I am Traffic Manager for the Texas Farm Bureau Cotton Association, Dallas, Texas (R. 2422). I have held that position about three years. Prior to that I have had 15 years in the traffic department of various railroads, and two

years Traffic Department of the Southern Cotton Company. The railroads I worked for are southwestern railroads. I am acquainted in a general way with the cotton rate structure in Texas.

(Exhibit A-88, showing the scale of rates on cotton applicable in Texas as contrasted with scales of rates applicable on various other commodities in the same territory, was admitted subject to the objection of counsel that the reasonableness of the rates was not involved in this proceeding.)

Practically the entire Texas Cotton Crop moves out through Texas ports and New Orleans. There is a substantial movement of cotton to the southeastern states by all rail; and a very small rail movement to other points, but these would only constitute a small percentage of the total. I have compared the rates shown in this Exhibit on cotton in Texas common point territory with the rates on all other commodities shown in Texas Lines Tariff #2-1, A. C. Fonda's I. C. C. 174, which is the general class and commodity tariff applicable in the state of Texas. The commodity rates are representative of the general commodity movement in the state of Texas (R. 2429).

[fol. 575] The comparison is shown for the following distances, 20, 35, 50, 75, 100 and up to 211 miles. The cotton rates are on a mileage scale basis, reaching the maximum rate of 80¢ per 100 lbs. at 211 miles, and this rate applies throughout the Texas common point territory. There are various other commodity scales shown in the Exhibit, *with* reach a maximum rate at certain distances. I have, therefore, shown the distance at which the maximum rate is reached, and the maximum rate for such distance. I have not shown the rate applicable in Texas differential territory in which there would be a differential added to the cotton rate, and also to most of the commodities rates shown in the Exhibit. I have shown the minimum weight in the case of all the carload commodity rates. Cotton is general- transported in carload quantities (R. 2431). Page 2 shows that the rate on cotton for 75 miles is 50¢ per 100 lbs., while on fourth class merchandise freight in less than carload lots, the rate is 40¢ per 100 lbs. Fourth class embraces a large

line of general merchandise such as shipped by wholesale grocery houses and hardware jobbers, and includes many high grade commodities. The single line rate at 211 miles on fourth class rate, would be 73½¢ per 100 lbs. or 6½¢ less than the rate on cotton (R. 2431). Page 3 shows that petroleum products are transported on rates which are approximately one-half of the cotton rates for all distances. Page 7 shows the tremendous difference which exists between the rates on cotton and on various high grade commodities (R. 2432). The Texas Farm Bureau Association sends instructions to all of its members to have their cotton shipped to be compressed in transit, unless the tariff rate from the point of origin to destination shows a lower rate if shipped through uncompressed. Houston is our main concentration point, and we have to have it compressed there, usually to high density. It costs no more to have flat cotton compressed to high density than it does to have standard cotton compressed to high density. We could ship our cotton through flat from all points in Texas without any additional cost, but we have never followed this practice because we felt that *that* in most cases the carriers would prefer to compress the cotton in transit, except for [fol. 576] a short haul, and since the carriers absorb all the cost of compression, we prefer to patronize the interior compresses. In addition to this, if we should ship our cotton through flat, passing the compress, and should thereafter (R. 2435) re-ship the cotton from Houston to some Mill point via rail from Houston, we would be penalized 12¢ per 100 lbs. for passing a compress. This penalty, under the present rate of adjustment, is not a severe factor for the reason that we have the privilege of substituting cotton at the transit point, and would usually be able to apply billing against the outbound shipments on inbound cotton which had been stocked at the interior compress. If the intra-state tariff provision be made the same as the inter-state, we would, of course, undergo a penalty where the cotton passes a compress We believe the Texas State Tariff Provision under which cotton may be shipped through flat or compressed in transit, is best for everybody concerned, for the reason that we have the power to ship our cotton past a compress in the event the compress does not render us the proper service (R. 2436). We do not find

it necessary to rush the cotton through or make claims for delay, because no sales are completed on our cotton until after it reaches its destination at Houston. During the past season, we have made no claims for damage while in transit, and only a few last year. We have never insisted on the railroads shipping our cotton as soon as the bill of lading is issued, but to the contrary we ordinarily leave the movement of the cotton up to the carriers, so that the cotton may accumulate in lots, and in like manner, they are permitted to accumulate it out of the compress, and thereby enable them to handle it with heavier loading (R. 2437). Sometimes the carrier may make several bills of lading for one shipment of cotton by one of our members. We do not request that. It is just the ignorance of the railroad agent. We do not require the carrier to make out an expense bill for each particular shipment. I have been trying for three years to get the carriers to use a system that will save all that double work, and I have convinced most of them that that should be done, but there are still one or two of them that would rather do it the old way. We [fol. 577] have undertaken to get them to use a system by which the expense bill would cover all the shipments from a given point at a given time. In shipments into the concentrating point at Houston, we never call for any out of line or back haul service (R. 2440). On shipments to the southeast, the cotton is concentrated at Houston and we take a transit privilege. The rate is adjusted to the through rate from the point of origin in Texas to the southeastern mills. In such case it would make no difference whether the rate to Houston was 80¢ or 83¢ from Texas common points. If a charge is made for the transit privilege, in all cases where the transit privilege is used, we would, of course, be charged the same amount as everybody else and have no cause for complaint. It may be stated that from 80% to 90% of the Texas territory, a logical route to the southeast would lie through Houston (R. 2441). For example: shipments originating on the M. K. & T. line, Santa Fe line, G. H. & S. A., H. & T. C., T. & B. V., F. W. & D. C., as well as many other lines, would logically run through Houston. Shipments to the southeast originating on the I. & G. N. would naturally be routed through Houston in order that its affiliated lines, the Gulf Coast lines, would

get the long haul to the Mississippi River. The same would also apply to the Southern Pacific The Texas carriers generally have vigorously petitioned the Interstate Commerce Commission to permit them to apply routes on Texas and Oklahoma traffic generally through Houston and other Texas gateways, including Galveston. This was the subject of extended hearings recently before the Interstate Commerce Commission, Fourth Section, order 464 et al., in which the carriers filed brief citing the testimony of this association in support of these routes There is a tariff provision whereby cotton originating on all points on the T. & P. may be routed through Houston via the I. & G. N. to the southeast; the tariff reference is Item 1121 Supplement 40, S. W. Lines Tariff, 430, Leland's I. C. C. 1597, effective June 19th, 1925 (R. 2442). The mileage from Abilene to Columbus, Ga., via T. & P., New Orleans and Southern Railway beyond, is 1327 miles. The mileage from Abilene to Ballinger via the A. & S., Ballinger to Houston via the G. C. & S. F., Houston to New Orleans via the Gulf Coast [fol. 578] Lines, New Orleans to Columbus via the Southern Railway, is 1,445 miles (R. 2443). I think both of these routes are logical and very reasonable. There is no greater relative difference in the distance than that of the mileage from Dallas to Houston via the Southern Pacific as against the Missouri, Kansas & Texas and Santa Fe. The Houston and Texas Central mileage is 255½ miles. The mileage by the M. K. & T. is 338-8/10 miles; via the G. C. & S. F., 365-3/10 miles (R. 2444).

Where cotton moves out to an inter-state point, we are required to comply with the provisions of the inter-state tariffs, which provide that where cotton moves in uncompressed bales through a compress point, the rate will be 12¢ per 100 lbs. higher than the rate applicable where it is stopped by the railroad for compression at such points. It is provided (R. 2445) in item 6-B, of Supplement #12 to A. C. Fonda's I. C. C. 166, Texas Louisiana Lines Tariff #50, and in Item 6-E of F. A. Leland's Tariff, I. C. C. 1597, Supplement 40 (being Southwestern Lines Tariff #43-0). In addition to the penalty for passing the first compress point in line of transit, the shipper will have to pay and bear the cost of compression, which is 18¢ per 100 lbs. at interior compress points. The tariff on that is Item 6-B,

Supplement 12 to A. C. Fonda's I. C. C. 166, Item #6-E, Southwestern Lines Tariff #43-0, F. A. Leland's I. C. C. 1597 (R. 2446). To illustrate: if a shipment of cotton originates at a point north of Italy, Texas, which is a compress point on the International Great Northern Railroad, 213 miles from Houston, and is compressed in transit at Italy, the rate will be 80¢ per 100 lbs., which will include the entire cost of compression, amounting to 18¢ per 100 lbs. If we desire to ship this cotton past Italy to Waco to be compressed, Waco being the next compress point, 28 miles south of Italy (R. 2446). We would have to pay 92¢ per 100 lbs. plus 18¢ per 100 pounds for the compression at Waco. If we ship it through uncompressed from point of origin to Houston, we would pay 92¢ per 100 lbs., and would make our own arrangements for compression at Houston, where it would be compressed at our own expense. We have no preference to have cotton compressed at any point other [fol. 579] than Houston, but we would like the privilege of having it passed where we desire, on account of many things. We do not want to be at the mercy of one particular compress (R. 2447). If we ask to pass the compress, we would be willing to pay for the compression. We do not need the right of election any more than the Oklahoma man, but we both need it, badly (R. 2448). Shipments from Crockett, Texas, and from Mumford, Texas, respectively, each 113 miles distant from Houston, illustrates the fact that we would be compelled to pay much higher transportation charges for cotton for the same service by the same railroad in a case where the cotton did not pass a compress in coming from one point, and did pass a compress in coming from the other. Practically all of our cotton is compressed to high density at Houston and it is of no advantage to us to have it compressed to standard density (R. 2452). In regard to the movement of flat cotton in private cars, the Western Weighing and Inspection Bureau issued a circular to all railroad agents, in regard to the loading of flat cotton at country stations for compress, requiring that the maximum capacity of the car be utilized, and that 50 bales for the standard 36 foot cars must be secured if possible. The rule specifies that in localities where the car supply is inadequate, roads should utilize local merchandise cars moving to compress points; and that cotton under one bill of

lading should not be loaded in two cars, when one car will take the entire shipment, and the agent should urge the shipper to accept bill of lading for amounts that can be loaded into one car (R. 2454). It is only in the event that there should be a one rate plan, that I think there should be any change made with regard to the 12¢ penalty for passing compresses.

Cross-examination:

We are using the intra-state rate that has no penalty. The interior concentrator is at liberty to use the same rate, if he cares to. Our cotton is handled in a similar manner to any cotton that is concentrated in the interior. If the railroads see fit to throw one bale in a car, and have a special engine and crew to handle that, it is up to them, but we do not require it. I know that it is a fact that they [fol. 580] accumulate our cotton at the compress point until they get sufficient quantity to move it (R. 2457). My statement is that the railroads assemble the Farmers Bureau Cotton on their country station in sufficient quantities that they thought they wanted to haul to the compress point. They might want to haul one bale in a merchandise car (R. 2459). If they want to accumulate it, we have no objection, and we have never required them to handle our cotton only just as the bill of lading is signed. We do not require them to handle our cotton separately in the car (R. 2460). The railroads accumulate the cotton at their country stations until they get sufficient quantity to handle it into the compress; they accumulate it on the property of the railroad. We do not ask them to; they are doing that for their own convenience (R. 2461). They have sometimes held it there quite a long time on the station platform (R. 2462). I have a pretty good understanding about the general method of handling cotton; I have been handling it long enough. Our cotton moves into the compress in just about the same lots as any other cotton that was going to be concentrated at the interior points.

The 12¢ penalty for passing the compress in the event the one rate plan went in, it would be a serious disadvantage to us in marketing the cotton (R. 2463). As to whether the fact that we now avoid that under the state rate is an advantage to us, and a disadvantage to the user of the inter-

state rate, I would say that he does not have to use the inter-state rate. He can use the same rate we use if he cares to, but for certain reasons of his own, if he wants to use the other rate, he is subject to that penalty. He can handle it on a local bill of lading just as we do, and avoid that disadvantage. We are doing that at the present time. If the one rate plan went into effect, in the event we filed a concentration claim to an interstate destination, on an export shipment, the carriers will assess the inter-state rate instead of the state rate (R. 2464). If one of our members tendered the railroad one bale of cotton on one bill of lading, the railroad would be required to give him a bill of lading on that one bale to move to Houston. Cotton is an any quantity commodity (R. 2465). I think the route from Abilene through Houston to Columbus, Geor- [fol. 581] gia, and the route of the T. & P. through New Orleans to Columbus, Ga., are reasonable routes, and that the out of line service involved is a reasonable out of line service. These routes are not representative of what the Farm Bureau means when they say there should be no out of line service. I think the carrier has the privilege to meet the competition of another one if they see fit to do it. We do not wish to restrict them. We certainly want them to do it. On cotton moving from Paris, Texas, to Houston, if the Texas & Pacific and I. & G. N. want to handle that cotton through Ft. Worth in competition with the Texas Midland and Southern Pacific, that is agreeable to us, and would be beneficial to us in so far as having more available routes open is beneficial. If the direct route of the Texas Midland and Southern Pacific permit concentration, the same service should obtain on the competitive route. When we sell cotton at Houston, we sell the freight bills with the cotton, because the Houston market, as I understand it, is based on the rate from the interior, and he is entitled to the inbound expense bills (R. 2467). He does not need the freight bill to find out what the freight charges are; he needs it to get his concentration back if he re-ships (R. 2468). If a charge was added to that freight bill for concentration at Houston, I do not know whether the farmer would have that deducted from the price of his cotton or not. I do not know that the price paid to the Farm Bureau is less the freight shown on that

freight bill; I do not know a thing about selling cotton (R. 2469). I am not in favor of a higher penalty for first concentration at Houston than at interior first compress points, where the same amount of service is involved. I think everything ought to be equal where the same amount of service is performed (R. 2470). For the shipper, I [fol. 582] think the same amount of service would be performed in each case (R. 2471). There is a switching service and unloading service performed from our plant in Houston to the ship's berth. The compress people do the unloading and represent the railroads in doing it. We get 1¢ per 100 lbs. back unloading where it is performed by the compress. The compress performs the unloading service at the docks, and I presume they act as agent for the railroad. I understand that the charge that we pay the Houston Compress Company for handling our cotton at [fol. 583] the Houston Compress, and the delivery to ship's berth, has included in it this transportation cost. I suppose we are paying about 83½¢ per 100 lbs. to get the cotton to ship's berth. On a shipment of flat cotton, originating at a point 125 miles from Houston and moving to Houston, that cotton is delivered to the ship's berth at Houston, and we would pay 68¢ per 100 lbs (R. 2474). We would pay an additional transportation charge, approximating 3½¢ per 100 lbs. to get it to the ship's berth. If the one rate plan is put into effect, and the 68¢ rate is increased to 70¢ intra-state rate, we would pay 70¢ and the cost of getting to the ship's berth would not be charged (R. 2475). If the one rate plan went into effect, we would be paying the 12¢ penalty or assuming the cost of getting the cotton to shipside. We would handle it in the most economical way; we would pay the intra-state rate and the cost of getting it to shipside, if that were the cheaper. Practically every bale of our cotton is compressed to high density.

[fol. 584] We sell that to southeastern mills or New England mills. The railroad rate on high density cotton is the same as on standard density cotton. I presume that the reason we high density cotton at Houston when going to domestic mills is *the* because of our contract with the Houston Compress Company (R. 2476). I do not know of any other reason why a man should have his cotton put to high

density except to make a saving in the ocean rate. I have had no experience in billing freight at point of origin and making expense bills at point of origin or destination (R. 2477). In the handling of our cotton from the country points, I suppose the railroad puts on a separate bill of lading lots for a number of shippers on one way-bill and that they have to put on that way-bill reference to each bill of lading lot, the name of the shipper, the marks on the cotton, and the tag number. At destination they do not put the shipper's name and all of that; they can keep a proper record without doing that. The expense bill is really only a receipt to a man for his freight charge (R. 2478). I think the rates should be the same on cotton that is compressed in transit at the first compress in line of route and on cotton compressed at some other compress in the line of route, having passed one or more compresses. I think it should be the same because if the one rate plan goes into effect, the 12¢ penalty would apply if it passed a compress point (R. 2480). We want the privilege of passing a compress when they do not lend us proper service. On an intra-state shipment, under the present intra-state tariff of the Railroad Commission of Texas, if the shipper directs that his shipment be made flat passing a compress, the shipper than has to bear the cost of the compression, but he does not have to bear the 12¢ penalty (R. 2483). On a shipment of cotton originating in Dallas and delivered to Kempner's plant in Galveston, unloaded, taken possession of, and later redelivered to the carrier for movement from Pier 10, the railroad service is a little greater than on a shipment of cotton originating at Dallas, Texas and moved direct to Pier 10. Kempner would have one extra switching, he would have to put a car in to get the shipment; he would have to take the car away from the wharf. On a straight shipment he gets 48 hours inbound. When he takes it out to the wharf, I suppose he gets more free time. There would be some interruption in the service in handling the cotton through Kempner's plant (R. 2485). On [fol. 585] two shipments originating north of Dallas, one concentrated in Dallas and the other shipped direct to Kempner's plant at Galveston, the railroad service is about the same (R. 2486). There would be no difference in the service rendered by the carrier at Dallas on cotton com-

pressed in Dallas and on cotton concentrated in Dallas, insofar as the carrier is concerned, but the shipper would be getting the privilege of concentration. All of the cotton we receive at Houston is entitled to first concentration, and we would not be subject to the so-called second concentration penalty, on all of it.

The substance of the testimony of witnesses C. H. Brillhart and Harry L. Oppenheimer, who testified at this point, deals with the issue of compression, which has not been attacked in these proceedings, and therefore is not narrated here.

WITNESS L. M. SHEPARDSON

I am Traffic Manager of the Nueces County (R. 2605) Navigation District No. 1, Corpus Christi, Texas. I am appearing in behalf of Nueces County Navigation District No. 1, which is building and will operate the port of Corpus Christi, Texas. The port of Corpus Christi will be ready for operation on or about September 1, 1926; it is a major port with a major channel depth of 25 feet, a turning basin depth of 30 feet, equipped with warehouses and all the necessary facilities for the operation of a first grade port. There is at Corpus Christi at the present time one high density compress. There is also 16 miles from Corpus Christi at Robstown, a compress; another at Taft, 18 miles from Corpus Christi, and another at Sinton, Texas, approximately 29 miles from Corpus Christi. We are located in the heart of probably the best cotton producing territory in the United States, and I do not know of another port which has such a large quantity of cotton immediately contiguous. There would be approximately 200,000 bales in easy trucking distance of the port in a normal year (R. 2607). We desire that whatever adjustments are made for any of the other ports, particularly Houston and Galveston, be likewise applied to Corpus Christi. We have no quarrel with either the one rate or the two rate plan. The Texas common point rate applies to Corpus Christi. As a general rule, the Galveston rate has been and is being applied

[fol. 586] in the new adjustment to and from Corpus Christi; no definite action has been taken on Louisiana and Arkansas. Corpus Christi is 224 miles directly south of Houston (R. 2608). The high density compress at Corpus Christi is about 2½ miles from the turning basin, but we have applications pending now from three different companies for the erection of very large shipside compresses. Warehouses are to be constructed in connection with them. Our present warehouses on the turning basin, which can be used, are 1224 feet long and 160 feet wide, provided with fire walls every 306 feet, giving us practically four warehouses 300 feet by 160 feet (R. 2609). The compresses which are in contemplation will go on the north side of the turning basin, while our own facilities are on the south side of the turning basin. Exhibit No. 97 outlines the district under the jurisdiction of the Nueces County Navigation District No. 1, and also shows the location of Taft, Sinton, Robstown and Corpus Christi. The channel from Aransas Pass to the turning basin at Corpus Christi is approximately 21 miles long, being through the open waters of Corpus Christi Bay (R. 2610). Exhibit A-98 outlines the local facilities of the port of Corpus Christi, showing that the turning basin is 3,000 feet long by 1,000 feet wide, and 30 feet deep. There is ample room for the construction of very large warehouses or industries of all kinds on the property owned and controlled by the Navigation Commission. The scale on Exhibit A-98 should be one-half inch to 325 feet.

Cross-examination:

The press already in existence at Corpus Christi is about 2½ miles from the water front, and cotton is transported from it to the ships by the rails of the St. Louis, Brownsville & Mexico, Texas-Mexican, and San Antonio & Aransas Pass. Dray service is possible and will be provided also. The charge for the railroad service, in my opinion, will be approximately $8.00, direct switching from the warehouse to the dock (R. 2612). I get that estimate from the local-State or intra-city switching. Application has been pending for space on the turning basin, which would make the compresses water-side compresses; and we feel that Corpus Christi is confronted with the problem

of having back from the water front compresses and water front compresses (R. 2613). We anticipate making Corpus Christi a concentrating center (R. 2614). If we should pass [fol. 587] a compress at Robstown, 16 miles west of Corpus Christi, and come into Corpus Christi, the cotton would be compressed at Corpus Christi, plus the additional charge for passing the press. That additional charge would be of such volume that we would lose the allowance from that compress to water-side. Consequently, we would not have a one rate plan under the present adjustment. If the owner of the cotton could save that 12¢ penalty, it seems that it would be economy to him to stop the cotton for compression at Robstown (R. 2616). I don't think there would be any saving of time in stopping at Robstown, Taft, or Sinton for compression. We could not get any cotton into Corpus Christi without passing Robstown, Taft, or Sinton, unless it came in over the San Antonio, Uvalde & Gulf. If Houston and Galveston can operate under a one rate plan, I believe we can (R. 2617). From conversations I have had with various cotton men in that section, I have formed the opinion that they would much prefer the rate situation to remain as it is. I do not know whether or not there is a penalty for passing a compress where the rate does not include any part of the compression. Most of the cotton coming past those compresses at Sinton, Robstown and Taft, would originate in a territory where the rate itself would not include the cost of compression (R. 2618).

WITNESS GEORGE S. PECOT

I am Travelling Cotton Inspector for the Western Weighing and Inspection Bureau, Dallas, Texas, and have been in that service 12 years. I am acquainted in a general way with the handling of cotton at country points and at compress points and its delivery at the ports.

My Exhibit No. A-104 shows the loading of straight car loads of concentrated cotton at interior points and the loading of straight carloads of transit cotton at interior compressing and concentrating points during the months of September, October, and November, 1924 (R. 2642). The Exhibit covers 40 compress points, scattered in various sec-

tions of the State, covering movements or comparative movements of all sections of the State. It shows that the average loading of straight cars of concentrated cotton is 72 bales per car. In that computation, there is included the compressed cotton that originated at compress points. That is what is known as city compression. Under the heading "Transit Cotton," that is cotton moving into the [fol. 588] press by rail and moving on to its final destination after being compressed (R. 2643). There is included none of the cotton that is included in concentrated cotton. Under the head of "Transit Cotton," I have shown cotton that originated at interior country points and moved through to the ports compressed in transit (R. 2645). Under the heading "Concentrated Cotton," I have taken the cotton that moves to the compress points on bill of lading to the compress, as well as cotton that originated at the compress point. Some of it is railroad concentrated and some of it is wagon concentrated or city cotton. It did not stop in transit for merchandising at some other point; only going to the ports. The term "Concentrated Cotton" means only the cotton that moved into the compress, was there merchandised, and was moved from there to port (R. 2646). This includes only cotton from Texas and only cotton that moved to the port.

A mixed platform at Houston or Galveston is probably what the railroads use to segregate cotton where the car contains two or more shippers' cotton (R. 2648). After cotton is handled over the mixed platform, in some cases it is delivered by dray. In the majority of cases it is handled by rail; the car is unloaded and then re-loaded with the cotton belonging to any one concentration point where there are two or more consignees cotton going. If we have two shippers' cotton in this car, the car is unloaded, we put one shipper's cotton in this car and if there should happen to be on the mixed platform some more cotton from another point for that same shipper, that cotton is put in the same car and hauled into the compress (R. 2649). The general average loading of the class of cotton shown by the exhibit is 67 bales. The total number cars required to transport all of the cotton shown on the exhibit is 15,386 cars.

My Exhibit No. A-105 shows the loading of flat cotton at the country stations in Texas which moved into the com-

press points shown on Exhibit No. A-104. The reference mark shown on Exhibit No. A-104, for instance, on the third to the last item on the right hand page (R. 2650) means plus, that being the nearest symbol to a plus mark on the [fol. 589] typewriter. Exhibit A-105 shows that the number of cars required to transport the number of bales shown on the exhibit was 37,998 cars. Both exhibits show the number of bales. Both cover the same period of inbound and outbound movement. The average loading of inbound flat cotton to the compresses is shown to be 27 bales per car (R. 2651).

Cross-examination:

The average outbound loading on concentrated cotton per car was 72 bales, on transit cotton was 63 bales. If the car of cotton comes to Houston, transit cotton, with a lot in it for the Houston Compress Company or the Long Reach plant, some cotton for Alexander-Sprunt, some cotton for the Turning Basin Compress, and some for the Magnolia Compress up town, it comes into the breaking-up yard first, and goes through all of the switching service that a car would go through if it were going direct to a facility in Houston. Then we place it at the mixed platform. The railroad assumes all of the labor cost of unloading the car (R. 2652). It assumes all the clerical and all other costs of sorting the cotton out on the mixed platform. It assumes the cost of re-loading into the cars and switching to those facilities. In making that switching service from the mixed platform to the various facilities, we do not concentrate it there in a few bale lots before we switch; we try to get rid of it as fast as we can at the mixed platform, because the movement is so very rapid that unless we do use every effort to get it out promptly, the platform would be badly congested. The number of bales in an average car would depend upon the amount of cotton that we happen to have on hand for any particular points or any particular facilities (R. 2653). We might switch cars to turning basin with ten or fifteen bales in them. That would be true as to the other facilities (R. 2654). That cotton is handled at Galveston for the various consignees by a switch movement and by dray, principally by dray. It is a fact that the concentrated cotton from the interior largely goes to facilities

other than the facilities of the carrier, and we save all of this expense in connection with the interior concentrated cotton. I have been engaged in the study and handling of the cotton situation during the whole 12 years I have been connected with the Western Weighing and Inspection Bureau. My regular assigned territory is everything north of Waco as far as St. Augustine southeast and as far as Amarillo, but I do have occasion to visit other parts of the [fol. 590] State in connection with my line of work (R. 2655). I have spent a good deal of time at the ports, checking shipments, checking the records of our office at the ports, endeavoring to locate shortages or make a proper application of any way-bills that might be on hand. My duties at the ports are to assist the Chief Inspector whenever I am in the ports, go with him in the handling of the cotton, general supervision. I am the direct representative of the District Manager of the Texas territory. My headquarters are at Dallas (R. 2656). At the interior compress points, we check the cotton out of the cars, that is, cotton moving to the ports, for the number of bales and the condition of the cotton, marks, and destination, in order to furnish that information to the agent that he may secure the proper billing if it is in transit cotton, and that he may issue the proper bill of lading if it is in transit cotton out. During the cotton season, we maintain a representative at all of the principal compress points in this State. There is no difference in the checking and service that we perform with respect to the cotton coming in to be compressed in transit under through bill of lading and cotton which is coming in consigned locally to the compress points (R. 2657). In the case of cotton that originates at the compress points, brought in by wagon, we do not have anything to do with it until it is tendered to the carrier for outbound movement. The compresses receive it from the wagon, or the cotton yards, it is put on their platform and checked by their representative for the number of bales in accordance with the shipping order that the shipper has furnished them for this particular lot of cotton. It is compressed before it goes into the car, in most instances. There is some cotton that moves from the compress in its flat state, at the shipper's desire. The latter would be very small in comparison to the compressed cotton (R. 2653). If such cotton is mov-

ing to a Texas point final destination Houston or Galveston, we will say, and the shipper wants his bill of lading before compression, then we do issue an inspection of his cotton, as to its condition, provided it is handled in the proper way, that is, marked and so forth, we issue a certificate to the agent in order that he may sign the bill of lading for the party owning the cotton, but if he does not want the bill of lading before it is compressed we have nothing to do with it until it is compressed and tendered to the carrier. If [fol. 591] cotton moves in by rail to the compress points in a damaged condition, if it is transit cotton we notify the compress that it must not be conditioned without authority of the officials of the line interests. If it is compression cotton we give no instructions to the compress at all. The compress handles it with the owner of the cotton. In the case of compressed cotton, they receive it for the owner, and act for the owner (R. 2659). In the case of transit cotton, they are acting as the agent of the carrier. When the carrier authorizes that cotton to be re-conditioned, the compress is not paid by the carrier for that service. I do not know whether they receive any pay for it or not (R. 2660). The railroads do not like to give authority to re-condition on any transit cotton. If the shipper or the owner of the cotton makes a request that it be re-conditioned, the carriers in all probability will grant the request, but they are becoming more strict on that recently. I presume the shipper pays for it if it is paid for. I cannot say that the carriers never pay for it, but if they did I don't know anything about it (R. 2661). The carriers could not damage the cotton to any very great extent. In the case of a fire, the carrier would take charge of that cotton and have it salvaged. In the case of transit cotton moving in, we check the cotton as to the number of bales and the marks in accordance with the billing, and when the cotton is compressed and forwarded, we make a re-check, giving the car number, seal record, and so forth to the agent in order that he may secure the proper billing covering that particular cotton. It is checked by the compress at the same time. They have a representative that checks for their (R. 2662) own information. If it is moving, they check it in blocks, merely counting the bales to see that they are there. Our men stand at the car door to check the cotton as it is being loaded.

Their checker is possibly satisfied with the block count when he counts it in the block. He frequently confers with our men to see that the figures are correct. We check against one another and eliminate errors (R. 2663). Our check is strictly a car door check to ascertain what goes into that particular car and then seal the car. In the case of cotton that has been compressed there, whether it is moved in by rail or moved in by wagon, our organization has nothing to do with the issuing of the bill of lading. We ascertain the number of bales going into the car. In the morning when [fol. 592] the compress begins operation, we ascertain from the compress what shipping orders they have, the marks, destination, the consignor, and the consignee, and we endeavor then to figure the loading of those shipments in order to get the best loading, and when a bill of lading lot has been completed, to order in one car or two, our inspector notifies the agent of the line interested in order that he might find the bill of lading and prepare his way bill. The agent prepares the bill of lading in some cases and in a number of cases the shippers themselves prepare it and send it to the compress or to the agent for their information (R. 2664). On cotton moving from a local point, domestic cotton, as a rule the agents prepare those bills of lading, but cotton moving export as a general rule the shippers prepare the bill of lading and send it into the compress. The railroads do not require that transit cotton be weighed. It is sometimes weighed, however, at the shipper's instructions. I do not know whether or not the compress charges for that. As a general rule the cotton that comes in by wagon to the compress point is delivered in the first instance to the compress (R. 2665). In some instances there has been cotton moving through flat that was delivered to the carrier on the carrier's platform. When it is delivered to the compress, the compress is the representative of the shipper or the owner of the cotton. The railroad is not interested in city cotton until it is tendered to them. We try to have the transit cotton assembled just as fast as possible (R. 2666). I do not think that it would be possible on transit cotton to secure the maximum loading, because of the congestion at non-compress points. The cotton moving on billings from the non-compress points, moving in from

the yards and the railroads, lack of sufficient equipment to move it from the non-compress points, and it is necessary then to load such cotton as is in close proximity to the car that is being loaded. Therefore, the transit cotton is considerably (R. 2667) mixed and in a good many instances we probably have as many as four or five shippers' cotton in one car moving into the ports. A bill of lading covering 50 bales of cotton may require a week or ten days to be completed in the compress, and if the compress were required to hold those shipments until the entire bill of lading lot is completed, the congestion would be terrific. The compress [fol. 593] has five days within which to compress the cotton. I do not know the average time they take in compressing transit cotton, unloading it and loading it back into the car. Some days it is unloaded and re-loaded in thirty minutes. It depends on the movement of the cotton; the probability is that before the transit cotton moves in, other cotton coming in prior to it has been ordered out, and the compress gives the preference to the first coming in (R. 2668). The amount of loading outbound of the transit cotton, the amount that can be put in a car, is not dependent to any great extent upon the diligence of the compress in getting the car loaded following the inspection. It depends a great deal on the movement to the compress. There is more transit cotton now than there was several years ago, but the movement inbound is in such manner, the bills of lading are not complete, and it is very frequently the case that we have to put four or five shippers' cotton in one car to get a complete car of transit cotton moving out. We have had quite a number of cases where there will be both concentration and transit cotton moving at the same time. We could fill the car if we were to split the way-bill and subject the carriers to an extra hazard in handling of the shipment. We may have a car that holds 75 bales of cotton and three way-bills with 90 bales. If we had a car to load the 90 bales, it would take a 90 foot car. It is a question of cotton (R. 2669) moving in and having sufficient number of way-bills that would complete a car. In behalf of the carriers, we issue instructions to the agents to get as heavy loading from the country station as they can. At the non-compress point, cotton being placed on the platform is billed "transit cotton" and is concentrated into the first compression point.

The drayman in handling cotton at this platform, and the agent when he gets ready to load it out has three cars set, if the platform is sufficient to hold three cars, and has to take the first cotton he comes to in order to load his cars. He has not room on the platform to drag cotton some other place in order to load one shipper's cotton. He cannot always get what we might term (R. 2670) a car load of cotton as the average loading is 27 bales. They have not the necessary crew. Probably one man is doing the loading and one man cannot load a car of cotton to its capacity. It does not necessarily depend on the diligence of the local agents; it depends a good deal more on the size of the equip-[fol. 594] ment. We have a number of pretty small cars on the Texas & Pacific, including a number of refrigerator cars that are being used. The lines have to take all the equipment they have available for the cotton handling. I think, however, that would constitute relatively a small percentage of the total cars (R. 2671). The railroads have had quite a good deal of shortage of equipment in the last three years for the handling of cotton. The shortage has occurred particularly in the interior of Texas. I have not examined the reports of the American Railway Association as to car shortage. I do know that the Association during the present season has been very vigorous in the handling of cotton, insisting on heavy loading both from the interior points and from the compress, and we have rendered to the Association during the season monthly reports. If the local agent that is loading 22 bales of cotton in a car were to accumulate that cotton until he could load 30 bales in a car, he would save cars by so doing. However, the chances are that it would be very badly blocked and it would require considerable more equipment and more time and more expense to the carriers (R. 2672) in handling it. They load this cotton out just as fast as they can. If they have 15 bales on the platform and that is all they have, they load that 15 bales out and get rid of it, because they don't know what tomorrow will bring forth. The platform will hold so many bales of cotton, and they do not want to have it congested. There are some platforms that will probably hold 500 bales of cotton; there are some at small stations that would not hold more than 100 bales of cotton. It is also necessary to get the cotton on to the shipper because there

may be a claim for delay otherwise. I do not know what claims the carriers have for delay (R. 2673). There have been a number of claims. I think the Government estimates that there is probably about $1,000,000 of loss on account of damaged cotton, and all of those losses would probably be charged to the railroads. I am not familiar with it. I don't know how much of that is charged, but I do know that the railroads are charged with a tremendous amount of damage claims. It has been my duty to make investigation (R. 2674). The damage usually consists of exposure to the weather, absorbing the rains, standing on the ground, becoming mildewed, and the fiber of the cotton losing its strength and rotting. That is damage before the railroad got it, but the railroads are called upon to pay it. During the past three years, there has been a large loss on account [fol. 595] of damage to cotton. I had one claim just a few days ago of $800.00 on 57 bales of cotton; they claim that the damage occurred after the bill of lading had been signed by the agent at the non-compress point. The bill of lading was through domestic bill of lading and the cotton was in the hands of the carrier probably one day from point of origin to the compress point and three days (R. 2675) from the point of compression to the destination. I think the claim was declined on our recommendation. Cotton has very much heavier claims than any other commodity (R. 2676). If the agent has 15 bales of cotton and knows tomorrow that the bill of lading is going to be complete with 10 bales more, he will try to hold the 15 to get a complete loading of the bill of lading lot, but we cannot govern that because weather conditions have a good deal to do with loading. Cotton moving from country points into concentration points moves in various odd lots, small and large, just like transit cotton. The carriers generally compress cotton at the first compress point, unless the particular compress is blockaded, and some presses are blocked often. We have them during the peak of the season. They are blocked up three or four days. We put an embargo on them and until they lift the embargo or we lift it until we can take care of it, we are blocked. There is quite a lot of it during the peak of the season. If the movement is all at once, they will be blocked and then the condition gradually eases up. If the compress becomes congested, we simply move the

cotton to the next compress point available, but if it is local cotton, we have to unload it there. There were no more congestions this past season than during the preceding two years. I cannot recall more than three presses in my territory in Texas that suffered embargo for more than two or three days at a time. If I embargo a press for one or two days that does interfere with the handling of cotton. It gets the railroads a little congested in the movement of the cotton with the equipment, but there are very few presses that were embargoed during the present season. We give a notice of arrival to the press on all cotton. My Exhibit No. 104 undoubtedly includes both city cotton and railroad concentrated cotton, under the heading of "concentration." The Exhibit does not make a distinction between railroad concentration and city concentration. The total number of 595,000 bales represents probably some city free concentration and railroad concentration cotton (R. 2693). The [fol. 596] amount of city cotton cannot be determined from this Exhibit, except by going to the compresses and getting their shipping orders and examining each individual bill to see where it originated. The total number of bales moving out on Exhibit No. A-104, compressed and concentrated, would not prove that every bale shown by Exhibit No. A-105 moving inbound had moved out. The inbound movement is concentrated, and probably a part of this cotton covered by the Exhibit remained at the press through the next season. The concentration cotton may remain a year and then be shipped out on the transit privilege. You cannot match up one set of figures as against the other. I have nothing to do with concentration claims filed at the ports. The Bureau does not make a check of concentration claims filed at interior points, unless there is a transfer or endorsement on the expense bill or bill of lading, or unless the claim is filed at a cotton mill point, such as Dallas, in which case we check the cotton covered by those inbound expense bills to see if any of it has been sold to the local merchants. If the cotton moved in to a man who made a transfer by endorsement and transferred the expense bill, then we verify the transaction between the parties to see that there was a bona fide sale. It frequently happens that a claim may be made on an outbound shipment of 100 bales from Dallas and be supported by inbound expense bills from quite a number of

points (R. 2696). We do not check the claims as to rates. We merely check the concentration as to transfer, to see if one shipper is entitled to use another shipper's expense bill (R. 2697). There is quite a lot of work to be done in that connection; four of us do it. I probably handle, myself, perhaps 100 or 150 claims a month. My assistant on the road will probably handle that many or more. That is in my particular jurisdiction. The railroads do the checking to see if the privilege should be granted at that point. We do not pay the compress to put any bands on transit cotton, where the bands have come off in the car. When he cotton is compressed, he compress puts on either 7 or 8 bands as the shipper orders (R. 2699). As a rule, the crop moving from Texas points is 8 band cotton. When the shipper requests 7 bands, he does not get any allowance. The shipper is not charged with the bands put on the cotton, unless he should happen to demand 10 band cotton. Flat cotton has [fol. 597] 6 bands (R. 2700). We prepared Exhibits No. 104 and 105 on short notice, and did not have time to go all through the alphabet and take all the compress points. Therefore, we divided it up so that we could get a representative exhibit of the State in all directions. No particular compress was selected for any special reason. Some points appear on one exhibit and do not appear on the other, because a part of the records on those points had been misplaced in our office. Our inspector at Garland did not send in his inbound record (R. 2701). We desire to maintain a complete record of all transactions, but in these particular instances we did not have them available. We worked up Exhibit A-104 first, and then worked up A-105 later (R. 2702).

I am generally familiar with the carriers' country platforms and station facilities. There have been practically no increases in the carriers' country facilities in the last ten years. They are unable at the present time to assemble flat cotton in car loads. It is a matter of expediting the cotton to the compress so that the carriers' local country facilities, and the cars, may be released promptly by making a short haul to a compress point in order to handle the peak movement of the cotton. That is generally the purpose of making very light loading from the carriers' country stations to the compress points (R. 2703). The com-

presses have in some instances assembled broken lots, which the carriers hold on their facilities until the complete lots of transit cotton have arrived; that is done where they know the cotton is enroute. For instance, if there is some one buyer in that immediate territory who has been buying practically all the cotton, then the carriers try to assemble it. I might use as an illustration Anderson, Clayton & Company's cotton. It is a fact that the country station is likely to load flat cotton in a large number of cars which will get to the compress quick, and that one lot will be loaded in half a dozen cars. I have a bill of lading covering 25 bales loaded in four cars. It is necessary for the compress to unload all of these cars and release them. We require that. Because of the shortage of country facilities of the carriers, it is necessary for them to unload those cars during the peak of the movement (R. 2704). In handling cotton at the country station, the shipper makes arrangements with the cotton loader, a man to haul his cot-
[fol. 598] ton by wagon from the cotton yard to the railroad platform. They frequently load it right direct into the car. The man who has charge of the hauling has probably two or three shipping lists, giving tag numbers of the cotton that he is to haul to the platform. He puts my cotton and yours on the float and delivers part of your cotton and part of my cotton. That makes the congestion rather bad at the platform. If they would haul each individual shipper's cotton at one time and deliver it, it might be handled a little better, but they will not do it. They are saving time for themselves. I think they work at so much per bale. I have attempted to get them to handle the cotton so we could segregate it (R. 2705). The platform will probably accommodate one to three cars, and if they set a car at one end of the platform and we are loading at that point, it may be part of your cotton and part of mine. That is one of the reasons why transit cotton is loaded lighter, because you have a bill of lading for 50 bales of compressed cotton but you have three bales over here and 40 bales some other place. The railroads are so situated so that you cannot get any one individual's cotton into a car. We have to take the cotton off of the platform as we come to it. The Western Weighing and Inspection Bureau have men at these interior compresses who are en-

deavoring to get this cotton loaded as heavily as possible for Houston and Galveston, and also endeavoring to prevent the mixing of the cotton so it will not have to go to these mixed platforms. The compresses are cooperating with us in that effort as far as possible (R. 2706). The showing of that exhibit reflects the extra cost to the carrier in handling this cotton at the mixed platform. I did not mean to testify that there was a small movement of flat cotton in Texas; I meant from the compress. There has been a rapid increase in the movement of flat cotton to the Texas ports (R. 2707). I suppose that out of the Dallas office, we would probably handle 400 or 500 concentration claims a month. The Houston offices have their representatives at that point to cover the southwest and southeast part of Texas. These men handle concentration claims in line with their other duties. If there is a quick investigation to be made, we will make that particularly. I do not believe we would be able to reduce our forces if we did not have to handle these claims; we have no men hired for [fol. 599] that special purpose. We make an investigation when the carrier sends the claim to us and asks that we investigate, and it would not be referred to us unless there is some particular reason, such as change of ownership.

Redirect examination:

If the one rate plan were established on cotton to the Texas ports, there would be claims filed on a large amount of cotton which is not now handled on concentration claims. That will result largely upon the cotton that the man back of the water front sends to the ship (R. 2709). I do not have anything to do with claims at the port but I should judge from the records of the carriers that they keep and we do not keep that there is more work for our organization in connection with concentration claims at the ports than in the interior. I know that whenever a concentration claim is filed by a man at the port, the carrier or Bureau or somebody has to run the cotton back and find out whether or not it had a first concentration in the interior (R. 2710).

WITNESS C. A. MITCHELL RECALLED

My Exhibit No. A-106 shows rates to the ports of New Orleans and Savannah, shipside delivery, from Memphis, Tennessee, and from various important points throughout the State of Arkansas. The third column of figures shows the difference in favor of New Orleans in the rates to the ports. The rates to both Savannah and New Orleans are exactly 5¢ higher than the domestic rates, so that this difference exists in both the shipside rates and the domestic rates. The next column shows the ocean rates from the ports to Liverpool, England, and is representative of the rates to all European ports. From Savannah, the ocean rates, except in the case of Memphis traffic, are 7½¢ lower than the New Orleans rate. In the case of Memphis traffic, there is a special differential of 11¢, agreed to at the Gulf and South Atlantic Steamship conferences some years (R. 2713) ago, after the Commission fixed the 7½¢ inland spread from Savannah and New Orleans. There is a difference in the normal insurance rate of 5¢ a bale in favor of Savannah, based on a value of 20¢ a pound. At that value, the practice is for the shipper to insure for $110.00 a bale, adding 10% to the actual value. I have based my [fol. 600] insurance figures, however, on a valuation of $100.00 a bale. To the right of the last vertical line, I have the total through rate via New Orleans and via Savannah, and the difference in favor of New Orleans and the difference in favor of Savannah. That is the total through rate from the shipping point to Liverpool. The difference is applied to all European ports (R. 2714). The total figure via New Orleans includes a 1¢ insurance penalty, which I have shown in the other column, so it will be seen in this exhibit that in the case of Memphis, Savannah has a ½¢ advantage over New Orleans, and in a number of other instances, at Forrest City, for example, Clytheville, Jonesboro, Hoxie, and Newport, the total charges through New Orleans and Savannah are the same. There are some points, Batesville and Cotter, which are representative of all points on the Missouri-Pacific Black & White Division in Arkansas, where Savannah has a 3½¢ advantage. That is abnormal, and I do not know what the cause for it is. At Little Rock, Pine Bluff, and other

points following, the difference in favor of New Orleans only amounts to 1½¢ per 100 pounds, so the implication that it would be impossible for Arkansas cotton to move through Savannah is not well founded. I do not think that the difference in distance has anything to do with the making of the rates. They are group rates (R. 2715). Savannah is generally farthest away; from Memphis to New Orleans is 395 miles, to Savannah is 686 miles. The following figures show the number of bales of cotton received at New Orleans via the Illinois-Central system, including the Yazoo and Mississippi Valley Railroad, during the months of October, November and December, 1924 and 1925, the total number of cars, the total detention in days, and the average days of detention per car. This is only the number of bales moving on through export bills of lading. It includes cotton originating in Arkansas, Mississippi, Louisiana, Tennessee and everywhere. For October, 1924, 34,430 bales, 662 cars, total days' detention 6,028, average days' detention per car 9.4 (R. 2716). November, 1924, 62,494 bales, 1,128 cars, total detention in days 10,697, average days' detention, 9.6 per car. December, 1924, 49,733 bales, 881 cars, 9,483 days total detention, average days' detention per car, 10.6. 1925, October, 54,682 bales 992 cars, total days' detention 6.131, average days' detention per car 6.1. November, 1925, 42,202 bales, 766 cars, total de- [fol. 601] tention in days 3,349, average days' detention per car 4.2. December 1925, 40,091 bales, 733 cars, total days' detention 6,011, average days' detention per car 8.1.

Cross-examination:

Those figures were furnished by the Illinois-Central Railroad. The Illinois-Central representative stated at New Orleans that they handled cotton from points on the Rock Island in Arkansas and various Arkansas lines through New Orleans. I do not know whether or not any of this cotton originated in the Southwest. I am not familiar with it (R. 2717). Demurrage is not charged on through business, because it is short of its destination. Demurrage would be charged where the shipper held it at the port for high density compression, and the cancellation of that would hurt the port operator and not the interior operator

(R. 2718). Under a through bill of lading the carriers hold the cotton in the cars ten days without demurrage for the shipper. The owner ships the cotton, it arrives at the port, and if the ship is not in the port, something has got to be done with the cotton. Cotton is arriving at New Orleans all the time, the Illinois-Central unload all of the cotton as it comes into New Orleans and hold it in their warehouse until such time as the ship is receiving cotton. They unload part of it. The- do not undertake to unload it on the wharves. It is not true that at this period of the year or at any other time that the wharves are congested and they could not unload the cotton. The owner may not be responsible for that but it is a necessary evil that goes along with the handling of the cotton (R. 2720). I don't think the port facilities have anything to do with it. It is not the practice to unload it on the wharf. The reason for not unloading this cotton on this wharf to take advantage of the 10 days free storage [fol. 602] at New Orleans was, according to my information, because the steamship was not receiving cotton at that time (R. 2721). My information in regard to the Illinois-Central is, and I know the same thing occurs at other ports, that they can not shoot the cotton straight down to the wharf when it arrives at the port. It is held under a through export bill of lading for account of whoever owns the cotton. It is in transit; it is not the fault of the port, I would not say it was the fault of the steamship, but in the handling of the export movement they can not get in the cotton from all directions and shoot it on to the port in the first place. A shipper may want all of his cotton to go via a particular line and on a particular steamship, and he asks that [fol. 603] the foreign freight agent hold it up for him, and I understand (R. 2722) that in some cases that does occur. The cotton is held for the account of the owner of the cotton, but it is not held at his specific direction. The Illinois-Central Railroad owns the Stuyvesant docks, but all of the cotton does not move out over those docks. All ships do not berth there. According to my information, any cotton moving out via another steamship would have to move out over another dock (R. 2723). I would say that the Illinois-Central would handle all of the cotton they could over the Stuyvesant docks. The delay may have been partly in the car and it may have been partly in the warehouse (R. 2724).

The carriers unload the cotton at New Orleans as soon as they can after it gets in there, so that all of the delay on a through export bill of lading at New Orleans may not be actual car delay. Part of it is storage delay. If it had not been delayed in the warehouse, it would have been delayed in the cars. I simply set down the delay of the shipments and not the delay of the cars. That is the number of days those shipments were held at New Orleans from the time they reached New Orleans until they were ordered out over the docks of the steamship companies at New Orleans. It is our position that it does not make any difference whether the carrier furnishes the interior shipper free car detention without free storage (R. 2725). Anybody can use the 10 days' storage on the docks; it doesn't make any difference whether it is on a through bill of lading or not. It is open to the port man, the interior shipper, and everybody alike. I do not say that there should be a higher rate on Texas cotton destined to Liverpool through New Orleans than would apply through the Texas ports. New Orleans does not think there should be, but there is (R. 2726). I do not think there should be from Oklahoma. We think the rates should be equalized. New Orleans is equalized at the present time on the through movement to Liverpool with Texas ports on Oklahoma cotton. It would change the movement of the cotton substantially, if there was a 3½¢ difference per 100 pounds in favor of the Texas ports (R. 2727). I think that a 3½¢ per 100 pounds difference to Liverpool in favor of the Texas ports would divert cotton from Oklahoma to the Texas ports. I favor the two rate plan at our ports and any other ports. If the shipside export rate from Texas points to the Texas ports should be reduced, I would want a reduction in the New Orleans rate to shipside (R. 2728). [fol. 604] I think the reduction would work around to all of the ports. I think that would reduce the carrier's revenue. If they reduced the export rate from Arkansas to Texas ports, the New Orleans export rate should not remain the same (R. 2729). If the delivery rate at Houston should be increased as a result of this proceeding, we would not willingly submit to an increase in the domestic rate to New Orleans. The export rates are one thing and the domestic rates are an entirely different proposition. At New Orleans we have a consumption of about 42,000 bales a year.

We have rates from about half of the State of Louisiana to the Southeast based on the local domestic rates to New Orleans (R. 2730). We do not see any reason in the world for any increase in the rates to New Orleans because somebody has built a shipside compress at Houston. The rates via the Barge Line from those Arkansas points to Memphis and New Orleans are about 80% of the port to port rail rates. Cotton moves on those rates to some extent, I do not know how much (R. 2732).

WITNESS E. H. LOCKENBERGER

I am Superintendent of the Public Cotton Warehouse at New Orleans. Exhibit A-30 filed in the original hearing, the square blocks in "T" field and "H" field, which I testified at that time I could not identify, are double hydrants, fire apparatus (R. 2735). This chart was originally prepared by the Louisiana Fire Protection Bureau for the purpose of showing that fire apparatus. We keep records showing the delivery of all cotton from the warehouse to any source, and make monthly reports of that. Exhibit A-107 is an analysis of deliveries at the Public Cotton Warehouse of all cotton for the years shown; I have checked it and know it to be correct (R. 2736). The exhibit is prepared [fol. 605] from the warehouse record (R. 2737). It shows that the percentage of cotton out over the warehouse wharf ranges from 7 to 50% of the total cotton moving out by vessel.

Cross-examination:

On Exhibit A-107 the season of 1922-1923 represents the entire season. The figures for 1925-1926 represent only from August 1, 1925 to April 30, 1926. Of course, the ratio would be smaller. We did not consider the delivery of cotton to consumers at New Orleans. We considered only berth deliveries. When we give them steamship deliveries, [fol. 606] it is up to them to make delivery where they can (R. 2738). They have regularly assigned berths they go to. The figures up to April 30, 1926 show that we handled more cotton up to that date than we did the entire season of 1923-1924. The business of the Public Cotton Warehouse

has been growing steadily. The merchandise we export by car goes to any wharf on the city front. We distinguish between delivery by dray and delivery by car. Where it says "delivery by car" that means delivery is made by use of the Public Belt Railway to the wharf. The 6.8% in 1925-26 is the percentage of 374,944 bales, the total number of bales that went by vessel, direct from our facilities to the ship (R. 2739). The total number of bales that went out of the wharf is shown in entry No. 3, export, 25,773 bales. That is 6.8% of 374,944. The export over the warehouse wharf for the season of 1925 and 1926 dropped from 35.33% the previous season to less than 7%; the steamship companies consider where the cotton is going to be delivered; they chose to take it at their own wharf. They don't care to shift to any other wharf if they can possibly help it (R. 2741). During the busy season, from time to time, we delay the carriers' equipment that comes to our facilities. Inability to unload cotton as fast as it is received causes the delay. We do not handle any through bill of lading cotton. There are delays to shipments received at the warehouse for concentration, and for every delay on that today we have to pay demurrage (R. 2742). Our tariff provides that cotton going to the wharf house to ship should receive ten days free time. The facilities in New Orleans cannot take advantage of that by draying cotton to our facility, unless it passes through the warhouse proper. If they are storing cotton in our warehouse, they can. If they are storing it in an uptown facility, they can only get the ten days free time that is given to the ships (R. 2743). Any uptown facility in New Orleans can dray to the wharf and get ten days free time from the time the ship commences to receive. The steamship company designates the time the compress can send cotton to this wharf within that ten days. So far as the warehouse proper is concerned, we have in addition to this ten days that extra ten days for accumulating the cotton on the wharf. By allowing the cotton to come through our warehouse, you have an extra ten days in addition to the steamship ten days. Twenty days free time would be given on that cotton (R. 2744). In the case [fol. 607] of cotton brought to the public warehouse and there compressed to be moved to shipside at our wharf, the compress charge includes only the compressing and the free delivery (R. 2747). The handling charge for the cotton

includes the free time. It is part of the service he pays for, whether secured or not. If we have no room in the berth for the cotton to be stored 20 days in advance, we would not agree to accept delivery. It is invariably true that we can assemble a part of the cotton in the berth in a given number of days before the arrival of the ship. On lots consisting of 1,000 or more bales, you can always find room on the wharf either up stairs or down stairs to make delivery (R. 2748).

Redirect examination:

The ten days the ship gets is paid for by the ship. It is given to the ship to permit the ship to assemble its cargo. It is not free time given the shipper to permit him to accumulate a cargo. The shipper would not need ten days to accumulate his cargo. We do not keep a record as to cotton received from any certain territory.

WITNESS C. B. BEE

I am employed as Traffic Adviser for the Corporation Commission of Oklahoma. I have had about twenty years experience in traffic matters in the southwest. I think I am familiar with transportation and traffic conditions throughout the southwest generally. I have had considerable experience in the handling of cotton by rail. I am familiar generally with the consumption of cotton in Oklahoma (R. 2898). The consumption of cotton at the present time, as compared to last year, is somewhat larger; and the prospects for the immediate future show a considerable larger consumption of cotton in Oklahoma. We have two mills at the present time and two more are contemplating opening up.

It is my opinion that concentration and compression are so interwoven that it has become impossible to segregate them, and that without these facilities in the interior not only the cotton producer and the railroads but every shipper in the southwest would be penalized. The Federal ginning reports show that 85.5% of the (R. 2900) 1924-1925 cotton produced in Oklahoma was ginned prior to December [fol. 608] 1. For the whole season in Oklahoma, 1,506,077

bales were ginned, and if this cotton had been delivered to the carrier for flat transportation to the ports, transportation would have been paralyzed. On the basis of 30 bales of flat cotton to the car, and this estimate I consider extremely high if cotton were moving to the ports, this would have required 42,916 cars or 613 a day for 70 days, for the transportation to the ports, practically all of which would have been returned empty. The unusual empty northbound movement in the fall season is due to the fact that grain and cotton are moving to the ports, and there are no commodities moving in a reverse direction of any such volume. A large part of the grain has moved prior to the cotton starting, but there is always a heavy movement of grain from the interior facilities, especially from the Kansas and Nebraska fields throughout the south at that particular time (R. 2901). The grain is mostly wheat. Under the present system of compression and storage in the interior, less than ⅓ of that amount of cars is required. It is not impossible, especially at the first of the season, for the same cars to move into the compress points on two successive days with cotton from the interior points, and on the estimate of a requirement of 12 days for flat cotton to move from the interior to the ports and return to the interior, this one car moving to and from the compress and the interior, would perform in two days what would be done in 24 days if the movement was flat to the ports, or it could then take care of compressed cotton to the ports, thus performing the work of two to three cars on the basis of compression only versus flat movement only. The local station platform facilities of the carriers in Oklahoma are not such as to permit of the sorting of cotton (R. 2902) and it is imperative that cotton be loaded from interior points as it comes to the cars. At many points cotton does not even go to the platform, but the producer or drayman loads it directly into the cars. Experienced car loaders are not available and the natural and necessary result is that the full facilities of the car cannot be secured from the origin point and were cotton to go to the ports flat, it would then require that every such bale be unloaded by the carrier, sorted, re-loaded, and then delivered to the consignee. Even if all cotton were compressed in the interior but no concentration took place, the number of cars that would move to the mixed platform [fol. 609] at the ports would be augmented. There would be

no incentive for the compresses to have storage space and the work of unloading, compressing, and re-shipping would be confined to the smallest space possible. The present practice of compressing and concentrating in the interior tends to a more orderly marketing of the crop, insures the utmost use of the available equipment, materially reduces the handling at the ports, and results in a more efficient transportation on the part of the carrier. It is my opinion that there is no service the carrier performs that results in a greater economy than the compression and concentration of cotton in the interior. Practically all other stopping in transit service is performed for the benefit of the shipper or for the purpose of holding traffic to the carrier. In most instances, the giving of transit privileges results in the use of more equipment and the lighter loading of cars. I know of no other commodity, except grain, where the granting of transit permits the carrier greater use of its cars, and this is not true of grain to the extent that it is of cotton. I consider it a service that pays the carrier back manyfold (R. 2904). The 12¢ penalty for passing a compress is really not a penalty charge, but should be considered as another distinct rate on the same commodity by reason of its packing. The present rate adjustment between Oklahoma on the one hand and Texas on the other forms a situation that is to the disadvantage of Oklahoma. Any additional penalty put upon Oklahoma cotton or a now existing penalty removed from Texas cotton, and permitted to remain on Oklahoma cotton, will only increase and exaggerate the present undue discrimination against Oklahoma, and to that extent the discriminatory features of the present rate adjustment must be considered by the Commission. Exhibit No. A-60 is a map showing the production of cotton by counties in Oklahoma and Texas for the years 1921 to 1924 inclusive. The bales shown in each county are what is known as running bales and do not give a true picture of the actual production in each county, and the Government figures of 500 pound bales should have been used. In the year 1924, there were produced in Oklahoma 1,504,671 bales of cotton of 500 pounds each. I have taken the county seats of certain counties in Texas and in Oklahoma, and figured that the entire movement of that cotton will take place (R. 2906) from that county seat, or the nearest rail-

road town, if the county seat is not a railroad town (R. 2906).

[Fol. 610] Western and southwestern Texas is increasing in the production of cotton, and the average movement of cotton from Texas points is becoming longer each year. On the basis that each bale of cotton produced in a county had its real transportation from the county seat of that particular county, there were required in the transportation of the Oklahoma 1924 cotton to Houston, Texas, 665,689,000 bale miles of transportation, and this produced for the railroad $7,588,358 in revenue. The average haul from Oklahoma to Houston was 442.41 miles, and for this the carriers received 1.14¢ per bale mile which is equivalent to 45.6 mills per ton mile. The average payment per bale was $5.04. Contrasting this with the Texas production we find that in Texas counties where the county seat is 336 miles or more from Houston, Texas, there were produced 1,359,231 bales of cotton and to transport this cotton from the county seat would have required 640,301,000 bale miles for which the carriers would receive $5,798,835. The average haul is 471.08 miles and the revenue $4.27 per bale or .906¢ per bale mile, equivalent to 36.2 mills per ton mile. (R. 2908). In the Texas figures there are included in the revenues the arbitraries accuring for transportation performed in Texas differential territory, a territory recognized as more expensive from a transportation standpoint than transportation in or from Oklahoma. The mileage performed from the Texas county seat towns ranges from 337 miles at Bowie, Texas, to 821 miles at El Paso, Texas. In no instance did the Texas rate exceed 99¢ per 100 pounds, while the average from Oklahoma is in excess of $1.00. It is significant that for 25,000,000 additional bale miles necessary to transport 145,440 additional bales of Oklahoma cotton to Houston, the carriers received $1,790,000. In other words, for 640,000,000 bale miles performed in Texas, the carriers received $5,798,000, and for the Oklahoma movement constituting 104% of the Texas movement, the charges would have been 131% of that charged on Texas cotton (R. 2909).

The proposition of the Houston Chamber of Commerce in asking that the penalty for cotton moving through without compression be removed on Texas traffic and retained

on Oklahoma traffic would mean that giving like service to the cotton from two counties, LeFlore County, Oklahoma, and Scurry County, Texas, for the same distance and the [fol. 611] same volume of traffic, approximately, would result in the Oklahoma cotton paying $31,317 more than (R. 2910) the Texas traffic, or that Oklahoma would pay about 23% more for the same amount of transportation. We therefore ask that in the event the one rate is established, and I strongly favor the one rate plan, that all rules, regulations and conditions that apply from points in Texas, whether on state or inter-state traffic, be likewise applied on Oklahoma traffic to the Texas Gulf.

Cross-examination:

The tendency to store grain at the interior points is on the increase. A large grain elevator is now being constructed at Enid, Oklahoma, in the northwestern part of the State (R. 2912). Since the two rate plan has become effective, whether by reason of that plan or not, the concentration of cotton in the interior has decreased. The use of storage facilities in the interior has materially increased in the last five years, because we have better than 100% increase in our production. I have not checked the figures as to the proportion, but in the last two years I know that the use of concentrating facilities, that is, the percentage of cotton concentrated, has shown a decrease in bales (R. 2913. The fact that the cooperative associations have established concentrating points without the State would have some effect. They handle, I should say, something over 200,000 bales of cotton, but I do not believe that amount would effect the change (R. 2914). There is a point, as you come nearer to the point of destination where compression ceases to be an economy to the railroad, even if the carriers do not pay for the compression, but I would not attempt to say just where that line should be drawn. By reason of the peculiar handling of cotton, the merchandising that has always taken place at the port, and in order to keep that competition at the port, I think the any quantity rate on cotton should be maintained, but only for that reason (R. 2916). I do not think that all cotton is necessarily to be concentrated at the interior. I think it all should be compressed, and if the compression is taken

away, I do not believe interior concentration would last two months (R. 2917). If you take concentration away from us, then you take all incentive to hold the cotton back at the interior for an orderly marketing; you would force all of that cotton to go to the port as fast as the compresses compress it. Primarily concentration was a service for the merchants. But, by reason of its use, and the movement of the cotton out in the short time that it does, it tends to be [fol. 612] a service for the carrier, in that it tends to hold the cotton back from moving to its final market, and in that way distributing over a longer portion of (R. 2918) time the marketing of that cotton and therefore the railroad movment. Our transportation system, in my opinion, will fail unless we do hold some of our cotton back in the interior.

I have looked to find out if there is any other commodity aside from cotton where the export rates are higher than the domestic rates to the same port, and I have not been able to find one, except an unusual situation in certain southwestern counties on the Frisco in regard to wheat, a rate that will not be used and will expire before the beginning of the wheat shipping season. The same or similar free time is permitted on other export traffic shipped from Oklahoma as on cotton, and so far as I know the additional free time allowance has never been used as an excuse to make the export rates higher on other commodities (R. 2927). The Farm Bureau Cooperative Association handled their cotton in Oklahoma for some time. They are at the ports now. I don't see what difference it makes whether it is Jim Jones or Anderson, Clayton that takes their cotton away from Oklahoma so long as the business is taken away. I am familiar with the variations in the operating costs for gross ton miles and net ton miles of the Oklahoma roads generally. The per ton mile on the G. C. & S. F. between Purcell and Gainesville is the lowest in Oklahoma, and the only line that would approximate it in my opinion would possibly be the Kansas City Southern (R. 2928). The low operating ratio of the G. C. & S. F. is due to the high traffic density. I think we had figures showing that the G. C. & S. F. operating ratio is 52%. I do not think that could be representative of carriers as a whole (R. 2929).

WITNESS J. L. SMITHWICK

I am Assistant Manager of the Farm Labor Union Mercantile Co. at Krum, Texas. I am a member of the National Executive Committee of the Farm Labor Union of America. I am appearing in this proceeding on authority and request of the National Executive Committee to testify on behalf of the cotton producing members of our or-
[fol. 613] ganization located in Texas, Oklahoma, Arkansas, and western Louisiana. There are approximately 75,000 members in these four States which produce approximately 300,000 bales of cotton per year. Membership is this organization is conditioned upon the applicant being an actual producer of farm products. We market about 90% of the cotton produced by our members. We use interior concentrating facilities in marketing our cotton. A large percentage of the cotton is sold to interior concentrators. These interior facilities are necessary to the marketing (R. 2951). Any penalty for interior concentration, we believe, will be borne by our members who are producing cotton and they are not able to bear any additional burden. We feel that the existing back haul privileges should be continued without penalty.

Cross-examination:

Our cotton is marketed through our National Sales Agency (R. 2952). I am not very familiar with the marketing situation (R. 2953).

WITNESS W. J. JOLLEY

I reside at Valley View in Cook County, Texas. I am a member of the State Executive Committee of the Farm Labor Union of America, Texas Division, and am Secretary to that body. I am employed as Manager of Valley View District No. 1, Farm Labor Union of America. There are approximately 40,000 members in Texas who produce annually approximately 160,000 bales of cotton. The position of the State organization is the same as that of the national organization previously stated by Mr. Smithwick. I have charge of the handling of cotton marketed by our members residing in my district. During the year 1924-

1925, I handled for our members approximately (R. 2954) 1600 bales, and during the present season handled approximately 500 bales. The decrease being due to the fact that we are in a drougth stricken area. The member surrenders to me, as agent, the weigher's receipt for his cotton, together with instructions as to whether to sell or hold. In case of instructions to hold, the cotton is shipped to Gainesville and placed in the compress warehouse at Gainesville pending decision of the members to sell. I pay the freight to Gainesville, receive expense bill from the railroad and [fol. 614] warehouse receipts from the compress company. Upon decision of the members to sell, the freight bill is attached to the invoice and collected from the buyer. In event of instructions to sell at once, the cotton is sampled by me or one of my Assistants. I notify the County Grader-salesman, who in turn notifies the State Grader-salesman that there are so many bales of member cotton at Valley View for immediate sale. The County grader-salesman, or the State grader-salesman actually effect all sales of member cotton, and I receive shipping instructions from the one effecting the sale. Under the existing conditions, whereby there is no penalty for interior concentration or back haul (R. 2955), from Valley View to Gainesville, we have available the markets of Gainesville, Ft. Worth, Dallas, Waco, and the ports. If a penalty for back haul was assessed, the markets of Gainesville and Dallas would be open to us only on the payment of the penalty, and if a penalty for interior concentration were assessed it would attach at all the interior markets, and all these markets would not be open for us on an equal basis.

Cross-examination:

The description I have given with reference to Valley View and Gainesville is representative of the system used by the various divisions of Farm Labor Union throughout the southwest (R. 2956). It is our belief that the producer has to stand the distribution cost in the price that he gets for his products.

Witness George E. Drewery

I reside at Dallas, Texas (R. 2964). I am Secretary-Treasurer of the Shippers Compress and Warehouse Com-

pany. I have had experience in the compress business in the southwestern states since 1900, with the exception of 1901, in the states of Arkansas, Oklahoma and Texas. I have worked as bookkeeper, compress superintendent, general superintendent, and Secretary-Treasurer at the present time. I am generally familiar with the operations and details and management of compresses in these states.

[fol. 615] (That part of the testimony of Witness Drewery, dealing with the issue of compression, and all of the testimony — E. F. Wade, which deals with the same issue, have not been narrated.)

Witness Drewery: About four years ago, we began to note a considerable increase of transit cotton moving through our plan- to Gulf Ports, and our railroad concentrated cotton began to show a light decline, until at the present time, the transit movement predominates and our concentrated cotton has reached the point where it is not more than about 30% of the total business moving through the Texas plant. This decline of concentrated cotton is not be reason of any lack of facilities to handle it at our plant, but is due to the manifest advantage in freight rates that can be obtained by concentrating at ports and delivering direct to steamship for export. It has gotton to the point that at no time have we a stock of concentrated cotton on hand sufficient to fill one-half of our compress storage facilities, and such cotton as is concentrated at our plant, is shipped to us by what are termed f. o. b. men from towns contiguous to compress points, they being the buyers who purchase direct from farmers and find it necessary to concentrate at an interior point in order to get quick outturns on weights and classification of cotton, which they sell to shippers or exporters (R. 2982). The decline in the concentration of cotton in the interior of Texas began at about the same time shipside facilities were opened at Houston. Our stocks of concentrated cotton in interior Texas have materially declined since the season of 1923. The decrease of interior concentration makes it possible for Texas plants to store concentrated cotton in two rows and one work aisle alternately throughout the storage shed, which makes every bale accessible for taking out of rows and trucking to press room and for re-sampling without moving or shift-

ing the bales in the row. In other words, the cotton is so stored that each and every bale is accessible from an aisle, so that they may be reached and trucked with minimum labor cost of shifting cotton around in the warehouse. This reduces labor cost on stored cotton in Texas as compared to [fol. 616] other southwestern states. Generally speaking, I believe Texas interior compresses are prepared to store an average of 15% of their total season's business at any one time, which would take care of all cotton moving through Texas interior compress plant-, even though it were again 90% concentrated by railroads at interior plants. My reason for this belief is that Texas interior plants have taken care of the concentration of 90% of their total season's business, and are in (R. 2983) even better shape to do so now than ever before for their plants have been built up to fully shed such an amount of cotton, and at the same time these sheds were built, they fully expected that interior concentration would be continued. The Texas crop moves notoriously fast to its final destination, whether it be domestic or export, which is another reason why the present interior compress facilities can take care of the Texas crop while in process of marketing to final destination. An increase in the quantity of cotton concentrated at the interior would permit a more uniform movement of cotton by railroad as interior shed facilities act as a reservoir in which to store cotton during the peak movement of the season, thus releasing railroad equipment, and insuring a steady, leisurely movement out of compress points which tend to reduce overtime wages and insurance expense, that compresses undergo while handling the present large quantities of cotton moving in transit from originating points to ports. At an average size compress plant, the same Superintendents, Clerks and Watchmen, and practically the same Laborers, handle concentrated cotton without additional expense for those purposes, and such concentrated cotton as is handled creates a revenue that enables better salaries to be paid and longer terms of service to be given to clerks and laborers (R. 2984).

[fol. 617] Cross-examination:

Concentrated cotton would average 3 to 5 days, slightly more than transit cotton at Longview, Tyler and De Leon, but moves through practically as rapidly as the transit cot-

ton. It is our experience that generally speaking a merchant, who has an interest in a compress does not concentrate his cotton at that press. That is true because a great many of our own stockholders have facilities at the port, and they take it to the port (R. 3021). There has been the tendency for concentration to drift to the port for about four years. Prior to four years ago, the concentration was [fol. 618] more general with us. Our stock of cotton on hand was usually nearly up to capacity. Since the shipside facilities were put in at Houston, we have lost several concentrators who have gone to Houston, namely, Major Cleaver, Theo Marcus & Company, Manning Grinnan. Some have gone to Galveston (R. 3022). There are others that I have not named. There has been a substantial volume of concentration that has been thus transferred from the interior to shipside facilities at Houston (R. 3023). With respect to our own plants, in a normal season, taking Dallas for instance, which handles about 100,000 bales, I would say that the amount that has gone to the port would be 5,000 bales. Twenty per cent of that will be due to competition. I should think that about the same number of firms have changed to Galveston as to Houston. I would say that the Cotton Concentration Company at Galveston has gotten a good many of them. The Magnolia Compress has one firm that I recall. I understand that the Magnolia Compress does not have shipside facilities. They were able to take our customer by reason of the general advantages at the port, which were rate advantages. They explained to me that the two rate plan gave them advantages at Galveston (R. 3025). I do not understand the operation of that freight rate, except that there is a condition there of rates that causes our cotton to go their. They tell us that is why they are going there. We have had to deal with competition with concentraitng facilities back from the water front at Houston (R. 3026). Texas City is a port, and has a cotton warehouse and high density compress located close to shipside. I am told that several years ago they concentrated a large amount of cotton; I understand that no cotton is going there now (R. 3027). I do not know why the concentration of cotton disappeared at Texas City. I would not make any distinction here between shipside concentration facilities and facilities that are situated re-

mote from shipside at port. It would certainly be an advantage to the interior compress man to prevent the moving of the concentration to the port and hold it in the interior (R. 3028). He would get the storage and handling of the cotton.

(Substance of the testimony of the Witness EARL FAIN, who testified at this point, deals with the issue of compression, which has not been attacked in these proceedings, and [fol. 619] therefore has not been narrated.)

WITNESS W. S. TURNER

I am Secretary and General Manager of the Arkansas Cotton Trade Association, have held this position since May 29th, 1918, prior to which date I was in the Traffic Department of Railroads since 1904. Among my duties now are traffic and transportation matters in the handling of cotton and assembling and distributing statistical information pertaining thereto. My office is at Little Rock. The Arkansas Cotton Trade Association includes the entire membership of all the cotton exchanges, and trade organizations at the several concentration-compress points thruout the state of Arkansas; the cotton dealers located at such and other points throughout the state; the compresses operating within the state; such Arkansas Banks as make a practice of financing cotton operations and, in a general sense, the farmers and growers of cotton. In other words, I am appearing for the cotton industry of Arkansas. The outstanding fact remains that the commodity must stand the cost. In the Ashdown Hope Ft. Smith & Van Buren Concentration areas, the Frisco protects the through rate via the transit points without concentration penalties. In the northwestern part of Arkansas where our State's cotton traffic is most dense, the Frisco has made a provision for a 5¢ per 100 lbs. penalty on concentrated cotton, exempting from such penalties cotton compressed in transit, which penalty has never found favor with the shippers, and the Frisco is under notice that this provision was accepted only to get some kind of a working arrangement into effect.

We have accepted it under protest as an emergency provision (R. 3117). The industry as a whole in Arkansas seems to demand the concentration of cotton as an economic necessity. We are not large exporters. I believe that 25% would cover the portion which is exported (R. 3120). Exhibit 112 shows the total receipts of each compress point for four season- beginning with 1922 and 1923 and including the current season to date (R. 3121). This Exhibit shows that Arkansas cotton is favorably regarded in the markets of the world, and that our crop can be considered a premium crop as compared with other territory. We see in these proceedings an objective which anticipates the [fol. 620] establishment at ports of markets for cotton, by which Arkansas cotton will lose its identity, and Arkansas producers lose their premium. The fifth and sixth columns of the Exhibit show the capacities of Arkansas compresses as of January 1st, 1921, and again as of January 1st, 1926. They show an increase of 66% in warehouse capacity in five years (R. 3122). There are 34 compresses operating within the state. The location and distribution of them is consistent with the local production of cotton. A Banker of Jonesboro writes that the establishment of a compress at that point makes that a competitive buyer's market instead of a competitive (R. 3144) sellers' market, and this statement may be applied to all interior compress development.

Exhibit #A-113 shows domestic and export rates on cotton from Little Rock to New Orleans, Louisiana, and to Galveston and Houston, Texas, showing a resume of the rates with their variations from the beginning of the 1919 season up to the present time (R. 3125). The two rate plan from Arkansas to the ports is a comparatively recent development (R. 3127). Formerly they operated very successfully on a one rate plan. Exhibit A-114 shows rates on cotton, any quantity, carriers privilege of compression, Little Rock to Dalton, Macon and Gainesville, Ga. There are no through rates from Arkansas to the southeast via New Orleans. We know of no traffic moving from Arkansas to Southeastern Mill Points with routing via New Orleans, and the Exhibit shows that there is no justification for traffic to so move (R. 3128). Exhibit A-115 shows rates on cotton, any quantity basis, carriers privilege of compression, from

Little Rock and Walnut Ridge to Providence, R. I., Chicopee, Mass., and Hartsford, Conn., on direct routing through Mississippi River crossings above Memphis (R. 3129). If the shipper elected to ship it through flat, the rate would be much higher, more than 12¢ higher, since the class rate would apply in eastern territory (R. 3130). The Exhibits indicate that Arkansas cotton would not move in large volumes through the ports to the southeast and New England Mills. The only part that would move to the ports would be the export cotton (R. 3131). Practically none of the ex- [fol. 621] port traffic from Arkansas would move through Texas Ports. We favor the one rate plan. We would not object to increasing the domestic rate, if they would not increase the export rate at the same time, because we ultimately pay the export rate.

Cross-examination:

Several of the concentration points in the southwestern part of Arkansas are almost as near to Houston as they are to New Orleans (R. 3133). Formerly the Missouri Pacific Lines did not themselves serve the Texas ports; and it was their policy to discourage the making of through rates to the Texas Ports, in order that the business might be carried to New Orleans. The greater part of our cotton moving to New England Mills, moves by rail (R. 3134). The development of concentration in Arkansas has been very pronounced in the past ten years. We have no particular complaint to make of the present general rate adjustment and situation in Arkansas. Our dealers claim to feel the effect of the two rate plan (R. 3138), there is always an uncertainty as to just how to figure the rate, and also an uncertainty as to whether or not someone somewhere else is getting an advantage over them, and our desire is to have our charge expressed in one through rate from the point of origin to destination, so that when we make a contract we know just what it is going to cost to get our cotton to destination (R. 3139).

WITNESS W. J. NEAL

I live in Waco, Texas; I have been in the cotton business something over forty years. During that time my experi-

ence has brought me in contact with the marketing, concentration, and compression of cotton in Texas and Oklahoma, particularly in Texas. I am familiar with those operations (R. 3140).

(That part of the testimony of Witness Neal which deals with the issue of compression, which is not in issue in this proceeding, has not been narrated.)

As the volume of the crop increased, notably from 1885 [fol. 622] to 1910, the interior compress industry expanded at a very rapid rate, the value of the service taken in connection with concentration privileges, which followed, was recognized by the rail carrier as a great economy as a saving of expense to them of providing and operating their depot and terminal facilities, rolling stock and motive power, and as a most important factor in Agricultural development. It was the custom*er* for a quarter of a century after the Civil War for the cotton merchants, factors, or others interested in the distribution of the crop, to have a close working arrangement with their correspondent in the cotton spinning or consuming centers (R. 3153). At that time, those outlets were principally in New England, as far as this country is concerned, at Liverpool and other important markets abroad; as the cotton crop increased in size, and the consumption, distribution, and spinning areas widened, it became necessary for the American shippers to establish their own houses, or direct representation in the consuming centers of the world, and to arrange for adequate facilities for the preparation and proper shipping of their cotton from interior locations contiguous to points of production in this country. As a result of this condition, and the demand that it created, the interior concentration and marketing system now in vogue, was evolved. The establishment in the interior of compress plants, and warehouses and other facilities, for the assembling and merchandising of cotton at point of origin, or at convenient locations contiguous thereto, where cotton producing communities could be best served, became an absolute necessity (R. 3154). The establishment of these plants, and the service they provide, has proven a great boon to the farmer, the small cotton buyer, the general merchant, and the local banker in the interior for establishing highly competitive

markets for the cotton itself, and enabling the business of the community to be transacted at home, giving the farmer the cash upon delivery of the bale, and establishing a practical exchange, safe-guarding and rendering each community entirely independent insofar as the marketing of its crop is concerned. Prior to the origination of these institutions, financing and insurance were very difficult to obtain and very expensive, bales of cotton were exposed to the weather for long periods of time, and facilities for storage under cover were all but non-existent (R. 3155). After the wet [fol. 623] season of 1913, there was imperative demand on the part of merchants, bankers, individual farmers, and others, for the establishment of warehouses throughout the interior for the purpose of protecting the cotton from the weather. The compresses made an earnest endeavor to meet this situation, which was only accomplished by the outlay of large capital, and increased equipment and facility cost (R. 3156).

Briefly summarized:

1. Concentration and Compression are necessary links in the chain of distribution and are economical transportation functions, rendering service and savings to the producer, the interior cotton merchant or distributors, the banker, laborer and the transportation interests at large.

2. Due to the changes which occur, with almost certain regularity in cycles of time, and the subsequent requirement (R. 3161) in outlay of capital, it is a hazardous and unstable investment as to plant and property, being in effect a public service.

3. The function of compression and concentration being an inter-dependent and inter-locking service, the impairment of the efficiency of one or the other, would adversely affect and soon destroy the highly competitive interior markets, as they are now established and functioning, and which are of such great value to the cotton interests as a whole.

4. The destruction of the interior markets would turn the calendar back a half-century as it would center the movement at the ports, to the exclusion of the interior and to the great detriment of the producer and to all other interior functions of trade, cotton being the backbone.

The ocean carriers make a difference of 15¢ per 100 pounds between high density cotton and standard density cotton. I do not know what the difference would be between high density cotton and flat cotton; it would be very great (R. 3162). Most of the lines would not accept flat cotton. Based on my experience in the marketing of cotton, I think the one rate plan would tremendously simplify matters, and I think it is the fair way to do the thing. It puts everybody on equality. I think if we could go back to the old days before this 3½¢ thing was introduced, where every- [fol. 624] body knew that a certain price would be paid to put that cotton on port for the purpose of concentrating and reshipping, or aboard ship, if it goes for export, would be a tremendous simplification of the matter. I think it would be beneficial to the cotton industry as a whole (R. 3163). It would be beneficial to the cotton industry as a whole to have free competition of all markets on any equality. The benefits of that would redound to the producer. I am connected with Geo. H. McFadden Agency, which concentrates both at the interior and at the ports. I have given consideration to the construction of shipside facilities at the ports. If there was an advantage at the ports, that would force the cotton there, we would ultimately be compelled to abandon interior concentration. Theoretically it would ultimately force the concentration of all the cotton at the ports; I don't think that would ever actually happen. I think that 18¢ per bale is a matter of vital concern in handling cotton. It would not have been during the war, with the war prices (R. 3165), but the cotton industry now has gotten back where the cost unit is based on the war value on the dollar, 58¢ or 65¢ whatever it may be, and the prices are down to prewar basis. The cotton is handled at present in actual practice on so thin a margin that where you introduce 1¢ or 5¢ or 10¢, that counts somewhere along the line.

Cross-examination:

The illogical location of many compresses was really the result of misguided judgment of the Railroad Commission in adopting the doctrine of compressing cotton at the first point in transit; it gave people that could buy compresses in those days at very much less money the opportunity to

come in and puncture the situation all over (R. 3166). It has happened that a man who had a compress at a given point, who had had his compress cut off from the cotton by having another one established, would in retaliation go down the other side and try to cut them off. The railroads [fol. 625] have not controlled the situation as to where compresses shall be located, except by moral suasion. The railroads for the last two years have seen the folly of having these compresses established at points where the expense and inconvenience are considered (R. 3167). In working out a proper system of location of compresses, in the first place you would locate in point of train operation, and if it was contiguous, not only to local town, but also to the concentration area which it would serve, usually at a junction point. We would usually take into consideration the fact of plenty of track facilities and that sort of thing, and the geographical location would be determined largely by the amount of cotton produced in the area, its trend of movement, and the movement of other transportation or freight trains, particularly at freight divisions and switching points, and switching facilities and all that sort of thing. It would be desirable to have compresses located as nearly as possible at the freight division points (R. 3168). There is not room for many more at the present time. It is not economical to put more than one compress at a small interior market. There is a great difference in the situation today as to the location of compresses and the situation that existed 20 years ago. There has been an immense amount of money spent to re-locate the compresses that have been illogically located (R. 3169).

My company would naturally use the facilities we own rather than send its cotton through somebody elses (R. 3180). A merchant who owns no facility anywhere, who is doing business at the small interior concentration points and can under the present conditions by using the local rates get the cotton to shipside at the 80¢ common point rate, by reason of the fact that steamships will make a lower rate on high density cotton and pay for the high density moving to the port; that is an advantage to the interior merchant. In the natural course of events, where we have our own facility, we have to meet that as a part of our competition in bidding for cotton. Academically, whatever will tend to

cheapen the cost of the distribution of the commodity will inure to the benefit of the producer of the commodity, but in actual practice (R. 3181) I have serious doubts whether the producer would get the benefit of that or not. It would [fol. 626] depend a good deal on who got the advantage. If there was an advantage to a man anywhere along the line and he could keep it, he would do — if he could get away with it. Otherwise he would spend it with the producer or the consumer, whichever facilitated his business. He might cut his profits to the consumer, or he might do it with the compress. But his first inclination would be to put it in his pocket, if he met no competition. If there was competition, he would have to spend it with the producer. The place my company has in Houston is leased from the railroad (R. 3182). It is located back from the water front. As to whether or not the rates should be so adjusted as to give our location back of the water front a less expense location, all of the advantages of the competitor who has spent more, I think that if 99% of the people today were with us in that position, then we ought to be penalized, but I think if 1% today were in that position, the other 99% were not, I doubt if the industry would be properly served by that discrimination in the rates. When we do any business we have to live under competitive conditions, and if we have a competitor who is more clever than we are and he sees these things that we do, we must either follow him in the end, or go down (R. 3183). My view on this question is very largely what is good for the industry, and I do not believe that a discrimination of that kind, even though there may be a theoretical advantage in the location, is the best thing for this industry as it is now constiuted. The backbone of this country is cotton. We must keep that industry going, and whatever rule you make or whatever application or arrangement for the marketing of cotton ought to be so the producer and laborer, and so forth, will get the most out of it. On that theory alone, I think the question of discriminating against the bulk of the trade in favor of a few is a pretty bad proposition (R. 3184). I think, academically, you are correct probably. If we could split halves on these rates, and let every fellow pay as he enters, and get no more than what he paid, if it were possible under

the rate structure in handling a great commodity like cotton to do that, then I think academically and theoretically you are correct about it (R. 3186). But for the good of the industry, and for taking half a dozen locations even though there may be a dozen and saying that we are going to build up these industries by a rate structure that will [fol. 627] tear down the balance, I do not believe in it. It is not my position that the railroad rates ought to be made with a view to equalizing the relative advantages or disadvantages of the relative owners of facilities for handling cotton. My theory is that the great industry upon which transportation, cotton buyers, shippers, and everybody else hangs their hope, must be preserved, and the transportation rules or the concentration privileges should be built upon a basis for that industry, and I believe it is best to have it scattered over the whole. The natural tendency would be, as these advantages accrue, to cover the water front, and you will have them from Houston to Galveston, and as you do, it removes the center of competition and the center of the movement from the country to the ports, and that is not the best thing for the country. All port concentration is attractive. The assembling of small lots of cotton at various compresses in the interior took me to the port in 1913. We moved our cotton quicker. The same thing took me to the port two years ago (R. 3188). We considered the two rate plan very carefully. We saw the advantage that accrued to the water front man. We knew there was 3½¢ involved. We figured our own monetary calculations, that this was new and would have to be only a small proportion of the whole, and just on the basis of common sense and on the basis of balance of power, on the balance of good to the industry, that that thing would have a pretty good run for its money and survive, and we thought under the conditions and the trades that we could make that we could spend money here and bet on the final outcome of this case not making that discrimination hold. We put the plant at Houston because port concentration fitted into our requirements. We put it in Houston on the basis of our being fortunately situated in financing our cotton. We can finance it wherever we want to. It suited our purposes (R. 3189) on certain kinds of cotton to concentrate that cotton at Houston and at Galveston, and we thought there

was an economy in it and we put the plant at Houston and Galveston on that theory. The question of putting the plant in Houston back of the water front as against the water front was based upon the theory that it was a safe bet for us to make to put the plant back of the water front. I should say that the more logical location for the handling of export cotton is on the water front. I say that in reference to the water front at Houston. Where the boats [fol. 628] come to the water front at Galveston, it does not make so much difference, where the boats have to shift. They have not so far done that at Houston (R. 3190). We came down here in 1890-95 and we made a (R. 3193) selection of what we thought was the most strategical location in the interior of Texas, and primarily in Oklahoma. Oklahoma was not so well developed then. We spent our money and we kept 100% of that stock, because it was a good thing. We thought we could get away with it, and we did for a certain time, but we found it was an uphill pull. We had to fight everybody in the whole country, and we found we had to relent on the same theory. We did not go to the water front, and have not yet, because, while we hoped the theory would work in our interior properties, it fell like paper. There is a certain amount the traffic will stand, and you can't go beyond that. Instead of trying to hold 100% of the thing now, we have distributed it around among the people and have made friends in the industry. We had invested our money in the interior compresses, and the situation was parallel to this (R. 3194). If they are rendering an economical service, they will live; if they are not, they will die anyhow. The situation at the ports contemplates concentrating 100% of the business at the ports, and it cannot be done. The facilities at the shipside are not available for concentrating all of the cotton there; they could be made available with enough capital and enough time. If there is no advantage in putting them there, they will not be built (R. 3195). The interior shipper pays 83½¢ on export cotton to Galveston. The rate for compression includes the drayage, and the shipper really pays that (R. 3196). The Galveston Wharf Co. should use the high density compresses and warehouses for the purpose of shipside concentration, it would have the effect of practically destroying the back from the water front properties in Galveston; it

would do the same thing that Houston would do. It would create more or less of a monopoly by the Wharf Co. of ship-side delivery at Galveston. That monopoly does not now exist on account of the back of the water front. Every man would have to go out of business or meet the competition just as he did when Mr. Steel was operating those compresses. It would give the wharf company the chance to monopolize again the interior compress (R. 3197).

[fol. 629] (The testimony of witness GEORGE W. KING, who testified at this point, deals with the issue of compression, and has not been narrated.)

WITNESS R. Q. LEE

I am President and General Manager of the Cisco and Northeastern Railroad, also President of the West Texas Chamber of Commerce, with headquarters at Stanford, Texas. It is an organization promoting the interests of west Texas, that section of Texas west of the 97th meridian (R. 3224). The capital invested in compress facilities in that section of Texas is in excess of $3,000,000, and the annual payroll and expenditures of those facilities is more than a million and a half dollars. They constitute a substantial item in the building up and prosperity of west Texas. There has been a material increase in the production of cotton in west Texas. That has a tendency to increase the movement of cotton longer distances. I think that we need the existing compress and warehouse facilities of west Texas to properly market that cotton (R. 3225). It is the position of the West Texas Chamber of Commerce that they desire to have the cotton concentrated and stored on those facilities in west Texas. Based upon my experience in transportation business in general and as President of the West Texas Chamber of Commerce, I would say that it would be beneficial to west Texas and the cotton industry as a whole to have the freight rate adjustment so made that the interior markets may compete equally with the port markets (R. 3226). I am not a traffic man or a technical man (R. 3227).

WITNESS G. S. WEITZENHOFFER

I am in the banking business at Oklahoma City, and am Vice-President of the Oklahoma Bankers Association; I am authorized to speak for that organization in this proceeding. In the bank I have charge of all commodity loans and all relations with banks who carry accounts with us, as well as some local business. I have had a great deal of experience in the financing of the marketing of cotton (R. 3230). The planting, growing, and picking of cotton is financed by the interior or smaller banks. The majority of [fol. 630] farmers have not sufficient cash after the marketing of their crop and the payment of outstanding obligations to grow another crop without financial assistance. The banks take a chattel mortgage on such live stock and implements as the farmer may have, together with a mortgage on the crop to be planted. Therefore, the banks are a very important cog in the agricultural machinery, and the financing of the crop is a profitable undertaking for the Oklahoma banks. It also favorably affects the cotton growers as wel-. If for any reason the concentration and marketing of Oklahoma cotton were handled at points outside of that State, the adverse effect on Oklahoma banking institutions would be of serious proportions, in that they would lose an outlet for practically all of their surplus funds (R. 3232). The banks would not finance the crop to the extent they do now, if they were to be almost eliminated from the financing of the marketing of it after it is grown and harvested. In my judgment, it is to the advantage of Oklahoma banks, Oklahoma cities, producers of cotton, and of the State as a whole that the concentration and marketing of Oklahoma cotton be conducted in that State (R. 3234). It is the position of the Oklahoma Bankers Association with respect to the present carriers' rules and practices that we would dislike very much to see any rule or practice arise that would move the major portion of our crop to a central or central concentration point outside of that State. We do not believe there is any concentration point at any of the ports having sufficient railway or warehouse facilities to expeditiously handle such a tremendous volume of business, and the resultant congestion would be most detrimental to the (R. 3234) efficient hand-

ling of the crop. We believe further that the banking facilities at those points are far from adequate to take care of such a situation. The Clearing House Associations at those points would make rules providing for a schedule of charges for the handling of cotton documents for such banks outside of those points as participated in the cotton financing, as would practically prohibit the outside banks from any participation in such financing (R. 3235).

Cross-examination:

Within the last few years, we have been compelled to pay to the banks at the port concentration points a charge [fol. 631] or a service fee for handling such documents as we send to them. They justify that charge on the ground that there has been such an increase in the volume of business occurring there that they have found it necessary to make this charge (R. 3236). So would say that if the other banks in Oklahoma of our size finance cotton in the same proportion that we do when given the opportunity, the percentage of the Oklahoma crop financed by Oklahoma banks would run from probably 60 to 75%. That proportion has decreased in the last few years so far as our bank has been concerned (R. 3237). At a meeting of the Oklahoma City Clearing House Association about ten days ago, other bankers made similar observation, that they had noticed a decrease, but did not know what the trouble was (R. 3238). It is true that Oklahoma banks need outside assistance in financing the crop. We do not purchase any cotton paper on cotton that has been concentrated outside of the State. I have no knowledge of any Oklahoma banks doing that (R. 3239). The rates on outside paper are not attractive. Our rates are higher than the rates we would get on paper we bought from other banks. All charges of every character in connection with the marketing price of a commodity are borne by the producer (R. 3240). Anything that reduces that charge is a benefit to the producers and ought to be done.

WITNESS A. J. STONE

I am Manager of the Transportation Bureau of the Dallas Cotton Exchange; I live at Dallas. I have had

about twenty years' experience in the freight traffic department.

Mr. Fulbright: We admit the qualifications of the witness.

My Exhibit No. A-117 is a sketch which shows the discrimination in the charge for transportation that exists in favor of the water front concentrator at the ports under the current two rate plan (R. 3242). I prepared this exhibit, and it is true to the best of my knowledge and belief. I would say that it is geographically correct, but I think it will fully illustrate the points I want to bring out. My Exhibit No. A-118 shows a comparison of rates which will clearly demonstrate just how this discrimination comes about in favor of the water front concentrator to the preju- [fol. 632] dice of the back from the water front concentrator at the ports, on the one hand, and the concentrator at interior compress points on the other hand. I prepared this exhibit, and it is true and correct to the best of my knowledge and belief (R. 3243).

Under the present adjustment, the interior concentrator concentrating his cotton at Dallas, for instance, and reshipping through the Texas ports on a through export bill of lading or on a local bill of lading for export, is compelled to use the inter-state rate of 83½¢. The merchant who concentrates his cotton in a warehouse back of the water front at the port forwards his cotton (R. 3244) from point of origin to point of concentration on the Texas intrastate rate of 80¢ and may either deliver the cotton to shipside at cost not to exceed 3½¢ or deliver it to the railroads for delivery at shipside and pay the export rate of 83½¢. In either event, the back from the water front concentrator pays a total of 83½¢. The concentrator who gathers his cotton together in a water front warehouse or facility at the port under the current adjustment pays the Texas intra-state rate of 80¢ from point of origin, which, under a ruling of the Texas Railroad Commission applies for local delivery at all points within the ports, including shipside warehouses. The water front concentrator, having no additional cost for delivery to shipside, therefore pays only a total rate of 80¢, giving him an advantage of 3½¢ per 100 pounds over both the concentrator in the in-

terior and the concentrator at back of the water front facilities. It is this 3½¢ advantage that has materially reduced concentration of cotton at interior points and makes it necessary for the discrimination to be removed if the interior facilities are to survive (R. 3245).

The 3½¢ discrimination plays the same part in the case of second concentration as in the case of first concentration. The interior concentrator who buys cotton at Van Alstyne, Texas and concentrates it at McKinney the first time, after which it is concentrated at Dallas, from which point it is forwarded to the ports on a through export bill of lading or on a local bill of lading for export, is compelled to pay the export rate of 83½¢, and in addition he must pay 3½¢ for the second concentration at Dallas. This makes his total charge for delivery to shipside 87¢ under the present adjustment today (R. 3246). The concentrator back of the water front at Houston or Galveston, [fol. 633] on the other hand, gets the Texas intra-state rate of 80¢ on the through movement from Van Alstyne to Houston and Galveston, with first concentration at Dallas. His cost for making delivery to shipside either in cars by switch movement or dray approximately 3½¢. He does not file a concentration claim because if he did the carriers would apply the export rate of 83½¢, and in addition would exact 3½¢ for the second concentration privilege at the port. His total charge to shipside is 83½¢, as compared to a charge of 87¢ to the interior concentrator, there being a second concentration in each case (R. 3247). In the third place, the concentrator in a water front facility at the port also has the advantage of using the Texas intra-state rate of 80¢ from origin to his plant on the water front with first concentration at an interior point, but he is in a position to make delivery to shipside by reason *hif* shipside location without additional cost. His total cost of transporting the cotton from origin to the interior to shipside is therefore 80¢. The respective standing, therefore, under the present rate adjustment is as follows: The water front concentrator pays 80¢; the concentrator back of the water front at the port pays 83½¢; the concentrator at interior points pays 87¢.

Under the one rate plan this situation would be materially changed, as the interior man would be given an equal

opportunity with the back of the water front concentrator at the port, but both of them would still be at a disadvantage with respect to the water front concentrator. Assuming that under the one rate plan a rate of 83½¢ is adopted on cotton previously concentrated, which is concentrated the second time at Dallas, the total charge to make delivery at shipside will be 87¢. As to the concentrator back of the water front who purchased his cotton in the interior, which has already been concentrated and on which there should be a second concentration charge at the port, he would (R. 3248) pay a rate of 83½¢ in the first instance. If he assumed the cost of delivery to shipside, which would be approximately 3½¢, his total cost would be 87¢. If he elected to let the carrier make delivery to shipside and file a concentration claim, the carrier would apply the export rate of 3½¢ and collect a second concentration charge, which would make a total charge of 87¢. The concentrator [fol. 634] in the water front facility, under the one rate plan would have to pay the 83½¢ from origin point with first concentration at an interior point, but there would be no additional charge to make delivery to shipside because of his shipside location. The relative standing, therefore, of the three concentrators on second concentrated cotton, under the one rate plan would be as follows: the water front concentrator would pay 83½¢; the back of the water front concentrator would pay 87¢; the interior concentrator would pay 87¢ (R. 3249). It is therefore apparent that the interior concentrator under the one rate plan would have his position improved with respect to the water front concentrator to the extent of 3½¢ and would be placed upon an equal footing with the back of the water-front concentrator on second concentrated cotton. That applies to second concentrated cotton; on first concentrated cotton all three facilities would be equalized and would be paying the same rate in cents per 100 pounds to the shipside. Such an adjustment would enable cotton merchants to concentrate in the interior, which many of them desire to do, and at the same time it would build up interior facilities to the postion they once occupied in the concentration of cotton produced in this territory.

The port concentrator has another advantage when it comes to second concentration, by reason of the fact that

he can avoid the payment of the second concentration charge of 3½¢ altogether. This is done by the manipulation of freight bills, using freight bills in his claim covering cotton that was not previously concentrated and substituting freight bills covering cotton that was previously concentrated, the latter being cancelled by the Western Weighing & Inspection Bureau as representing cotton [fol. 635] placed on vessels at the port. The concentrator in the interior can not do this in cases where cotton has been previously concentrated, because the only disposition he can make of his cotton is to re-ship it via rail and then only via the line that hauled the inbound shipment. As no cotton is disposed of locally at (R. 3250) interior concentration points, and the interior concentrator must re-ship it via rail lines in protection of through rate origin to destination, he has no way to escape the second concentration charge. This discrimination would be eliminated under the one rate plan except as to water front concentrators.

Not only does the port concentrator have what we consider an unlawful advantage over the interior concentrator as concerns the difference between the local Texas rate and the through export rate, being 3½¢, but he has an advantage by reason of the absence of a penalty for moving [fol. 636] flat or uncompressed cotton from points of origin through to the port. I here submit an exhibit showing the situation under the present two rate plan, and what it would be under the one rate plan, assuming that the application of a penalty of 12¢ for local intra-state application will be applied the same as is done for inter-state application. If the interior man is going to be subjected to a penalty for passing the compress, we want the port man and everybody else to be subjected to the same penalty (R. 3251). I know of a good deal of cotton moving on the inter-state rate that has today to pay this penalty of 12¢. Almost every day in the cotton season, we have cases where it is necessary to apply this 12¢ penalty on cotton concentrated at Dallas and other points. That is one of the things that interferes with the concentration in Dallas. If we had the same privilege of bringing flat cotton to Dallas for concentration and storage as the ports have, it would probably double the amount of business they do

at Dallas at the warehouse (R. 3252). The water front concentrator at the port can and does avoid the payment of the penalty of 12¢ for passing compresses, because the intra-state rate is applied from origin to his water front warehouse. If, however, cotton is moved past an interior compress and concentrated at Dallas, for instance, the 12¢ penalty rul- is invoked on the outbound shipment, if made on a through export bill of lading or a local bill of lading for export. The concentrator back from the water front also has this advantage. That is another reason why a cotton merchant avoids interior concentration. All of the testimony so far given by witnesses Dalzell and Clayton in making their comparisons with the interior has cited unlike cases, for instance, comparing second concentration at the ports with first concentration in the interior and comparing cotton reaching the port compress with cotton reaching the interior compress flat. My comparisons deal with concentration in the interior for the first time and concentration at the ports for the first time, and with second concentration in the interior and second concentration at the ports. Discrimination can only be shown in this manner (R. 3253).

A discrimination under which the interior concentrator labors is due to the freedom the port concentrator has in the use of freight bills available by reason of cotton being placed on vessels at the ports and the reciprocal routing [fol. 637] privileges he enjoys. A concentrator at interior points must watch his inbound and outbound shipments via various lines religiously in order to avoid losing his concentration privilege. At Houston there are so many ways by which a concentrator can employ his inbound freight bills that he seldom ever loses a concentration privilege.

Another advantage which the port concentrator has over the interior concentrator is due to the fact that the bulk of cotton to foreign destinations is sold upon terms which require a steamship bill of lading. Obviously the port concentrator who has a large stock of cotton on hand at the ports is in a position to get a bill of lading to be attached to the draft much sooner than the interior concentrator (R. 3254). There has been a great deal of testimony in this record to the effect that the interior concentrators and facilities have no use for second concentration or the privilege of passing compresses without penalty. Nothing could

be further from the truth, because so long as the port merchants and concentrators can avoid the 12¢ penalty for passing intermediate compresses and the 3½¢ difference in the rate, these things will be necessary in the interior, in order to put interior merchants and concentrators on a parity with port merchants and concentrators. We do not advocate the cancellation of the 12¢ penalty or the 3½¢ charge for second concentration. But under the two rate plan in effect today the advantage of avoiding these additional charges gives the port concentrator such a tremendous advantage over the interior concentrator that the concentration business in the interior has gradually declined from the season 1913-1914 to the season 1924-1925 to where (R. 3255) today the amount of concentrated cotton in the interior is approximately 30% of the total, whereas for the 1913-1914 season it was 75%. This decline in interior concentration began with the two rate plan, which went into effect September 18, 1917, and continued, but at a more rapid rate, with the opening of the shipside facilities at Houston in 1923.

I am testifying for the Dallas Cotton Exchange, which consists of about 150 members, and those members compose about 65 firms who actually buy, sell and ship and concentrate cotton. Anderson, Clayton & Co. and George H. McFadden Bros. are members of the Dallas Cotton Exchange, but they are represented here by other witnesses, and I do not attempt to speak for them except to the ex- [fol. 638] tent that they accept what I say (R. 3256).

I do not believe there has been any change in the situation since this case was heard in October, 1923. I do not think there is a new condition which justifies a continuance of the two rate plan. The fact still remains that cotton is still moving from the interior to those shipside facilities on an 80¢ rate and our shippers who concentrate in the interior are having to pay 83½¢, and that is what we are complaining of and is the discrimination which we think should be removed. There are no differences in the transportation service under the two rates (R. 3257).

Exhibit A-119 is based on the theory that if we have a one rate plan, the same penalties and charges will attach to intra-state shipments as to inter-state shipments. We think it ought to be intra-state as well as inter-state and

then everybody would be on equal footing, the exact rate tariff so far as through rate is concerned. What I wanted to show was that under the one rate plan there is a way to fix this thing up, an ideal way, not only as to intra-state traffic, but the inter-state traffic as well, and everybody will pay the same rate to shipside. We think it ought to be done that way (R. 3260). In my experience in making rates, I do not recall any other commodity except cotton where the export rates are made higher than the domestic rates, conditioned upon the additional free time allowed at the port on export traffic. Waiver of second concentration penalty on cotton handled by back from the water front port concentrators might benefit the interior facilities very materially, yet it does not bring about as full an equalization as far as the interior shipper is concerned as if the second concentration charge is assessed.

[fol. 639] Exhibit A-119 shows that under the present two rate plan, on a bale of cotton originating at Van Alstyne, passing a compress at McKinney, coming to Dallas to be concentrated and ultimately shipped on through bill of lading or port export bill of lading, the interior man would pay 95½¢. The port waterside man obtaining identically the same service and passing the identical press at McKinney, would get at the water front for 80¢, a difference of 15½¢. There is no reason from a transportation standpoint or from any standpoint why the man at the shipside should have such an advantage (R. 3264). I do not know of any practical reason why a man should want to pass the compress at McKinney (R. 3265).

Cross-examination:

I do not think there would be much economy from the railroad standpoint in stopping at Brenham to compress when the destination is only 70 miles way. The shipper may want to stop the cotton there for some reason or other.

I did not mean that there was anything illegal in the manipulation of freight bills at Houston; I think it can be done under the tariff, but the tariff is loose. A man can concentrate cotton at Houston from all over the State, in [fol. 640] fact, from all over the southwest practically, and then ship it out to and through Galveston on any line's bill of lading (R. 3268), and he does not have to be so care-

ful about his re-shipping and then he can file a claim against the inbound line and that claim will be paid. The interior man can not do that; he must ship out always over the same line he came in on (R. 3269). At Houston they can take the bills on the so-called penalty for passing the compress at Brenham and can kill that against the steamship, swap them over on another billing, and go on out without that penalty. I think they can do that; there is nothing to keep them from doing it under the tariff. I do not know whether they actually do it or not. (R. 3270). The Bureau system of checking freight bills gives quite a lot of latitude and permits a shipper to do pretty much as he pleases. I get that information from experience. Our shippers do exactly like the shippers at the ports do. They scheme around and get rid of the freight bills that are of the least value to them (R. 3271). Some of our Dallas shippers concentrate cotton at Dallas or other interior points and ship it in to Galveston to the warehouse back of the water front and have them high density it and carry it to the front. I think where they have cotton in the interior concentrated here they invariably ship it to its final destination from Dallas wherever it is possible to do so. If it is going out on a vessel from Galveston and they have it concentrated in Dallas, it would be cheaper for them to ship it under local bill of lading, have it handled by Kempner's compress at Galveston, high density it and put to the vessel, so far as the freight rate is concerned (R. 3272). So far as the total cost is concerned, I do not understand that it would be cheaper. They would pay 80¢ into the back of the water front warehouse, and then they would pay something in the neighborhood of 18¢ a bale to get it over to the ship. That is about the same as they pay for shipping it through [fol. 641] export bill of lading. The standard density bale of cotton that would be shipped to Mr. Kempner would pay 75¢ for high density which would include the drayage to the ship. The shipper would get back 15¢ per 100 pounds on the ocean freight rate (R. 3273). There is a substantial movement from Dallas that is shipped to the back from the water front compresses, and that is all because of the two rate plan. They feel that they have to do more or less of that for the protection of their own interests. They do not want to do it. Very few of them are using the through

export bill of lading now (R. 3274). Its use has declined appreciably in the last two or three years, but I do not think that the freight adjustment had anything to do with that. Trade conditions and the contracts with foreign spinners which require a ship's bill of lading are responsible. A shipment can be moved from Dallas at the present time [fol. 642] to shipside at the 80¢ rate. At the Alexander-Sprunk Warehouse, the 80¢ rate would be applicable right up in front on the same track where he unloads all of his cotton. Whether it is applicable or not, they are applying it. I do not know whether it is legally applicable. If a shipment of cotton moves into Greenville, Texas, for concentration, is there given first concentration, and a man in Dallas wants to purchase that cotton and ship it to the port at Galveston, and a man back of the water front at Galveston wants to buy that cotton, there would be some advantage in the man at Galveston having a free second concentration privilege. I do not know of any advantage to the man at Dallas. If the man at Dallals paid 3½¢ for his second concentration, and the man back of the water front had the freight paid for it, I would say that there would be discrimination, just as there is today on second concentration at the port.

WITNESS I. M. GRIFFIN

I am Traffic Manager for George H. McFadden Bros. agency and Neil P. Anderson & Co. with headquarters at (R. 3278) Houston, Texas. I have held that position since August 1, 1918. I entered the services of the International and Great Northern Railroad in 1893, beginning my work in the interior, and in 1900 I went to Houston, Texas, as Chief Clerk. Later on I was sent to north Texas as agent for the Missouri-Kansas & Texas, and Texas & Pacific, and I. & G. N. at Mineola, Texas, remaining there four and one-half years, returning to Houston as local freight agent of the International and Great Northern and Galveston, Houston and Henderson Railroad; I remained there about a year and a half and was sent to Galveston as joint agent for the Galveston, Houston and Henderson, Missouri, Kansas & Texas, and International and Great Northern, remained there until 1909, at which time I was (R. 3279) ap-

pointed General Cotton Agent for the International and Great Northern with headquarters at Ft. Worth, Texas. I specialized in the handling of cotton for that railroad, remaining at Ft. Worth, and later was appointed Assistant General Freight Agent of the Texas & Pacific Railroad in connection with my work with the International and Great [fol. 643] Northern, and shortly thereafter was appointed General Freight agent of the Texas & Pacific Railroad, moving to Dallas and later was appointed Freight Traffic Manager of the Texas & Pacific, which position I held until I resigned to go with George H. McFadden & Bros. Agency at Waco, Texas. During my service with the Texas railroads, it was a part of my business to specialize in cotton rates and the handling of cotton through the Texas ports.

The firm, George H. McFadden & Bros. Agency and Neil P. Anderson & Co., whom I represent in these proceedings, buy and ship cotton in large quantities. For the season of 1924-1925, approximately 500,000 bales, not including Louisiana and Arkansas. They are cotton merchants and buy cotton at points of production, also at points of assemblage or concentration, including cotton concentrated at the ports. They sell cotton and make (R. 3280) shipment against such sales from points where cotton is available from their stocks. The principal points of asesmblage or concentration are at Houston and Galveston, which are cotton markets as well as deep water ports. The larger portion of their purchases move to Houston or Galveston for warehousing and concentration and subsequent reshipment. A part of the cotton purchased by them is shipped direct from interior points of origin or concentration to shipside for export or coastwise movement or by all rail to domestic and Canadian mills.

Cotton warehoused at Houston for account of George H. McFadden and Bros. Agency and Neil P. Anderson & Co. is usually handled at the Southern Compress & Warehouse Company's plant back from the water front. Plant No. 1 of the Souther- Compress & Warehouse Company is located on the Harrisburg Boulevard, just within the I. & G. N. Congress Street yard. Plant No. 2 is located in the Fifth Ward, northeast of the Hill Street bridge. Receipts beyond the capacity of these two plants are taken care of at various public compresses and warehouses at Houston.

This season the facilities at Houston of the Exporters' Compress Company and the Shippers' Compress Company were employed in addition to those of the Southern Compress & Warehouse Company. All of the above mentioned plants are back from the water front and cannot effect direct shipside delivery. Delivery of cotton to these plants [fol. 644] at Houston is made on the basis of the 80¢ (R. 3281) inbound rate from Texas common points, as per Texas Lines Tariff 17-D I. C. C. 135, and $1.01 from Oklahoma common points, as per Southwestern Lines Tariff 80-G I. C. C. 1776, and from these plants to shipside on basis of the railroad car switching services, $8.10 per car, I. & G. N. 2353-L, I. C. C. 855 plus compress charges of 10¢ per bale for topping in order to get maximum loading, and charges at the wharf front for unloading from the cars and delivery to the ships at shipside, as per Texas Lines Tariff 21-G I. C. C. 175. The above cost of delivery to shipside, both export and coastwise, are in addition to the railroad charges for local delivery to the warehouse and are borne by the owners of cotton and are in addition to intra-plant service cost for breaking out of store, trucking, loading, except topping.

I prepared Exhibit No. A-120, and it is true and correct to the best of my knowledge and belief (R. 3282). It shows the transportation cost of one bale of cotton weighing 525 pounds to reach shipside at Houston and at Galveston, when shipped direct from interior Texas common points to shipside and when shipped from interior Texas common points to Houston and Galveston and handled at warehouses and compresses at the ports and subsequently delivered to shipside at such destination. The costs shown are exclusive of wharfage and under the rule of two rates as now in effect and comparative with one rate for all deliveries as per order of the Interstate Commerce Commission in Docket No. 14940. The exhibit shows comparative total costs per bale of cotton moving direct to shipside from points of origin (Texas common points) and from points of origin (Texas common points) to Houston and Galveston, stored and subsequently delivered to shipside. The storing in warehouse and subsequent delivery to shipside, or re-shipment from the storage points, contemplates as a maximum transportation charge the protection of the same

through rates and charges as apply on a direct shipment from point of origin to final destination. As shown in example No. 2, it costs $4.3837 to deliver direct to shipside at Houston, and/or Galveston from Texas common points one bale of cotton weighing 525 pounds on the basis (R. 3283) of the rate of 83½¢ per 100 pounds, which is in ef- [fol. 645] fect at the present time. Where cotton is moved from the interior to the same points of destination, but delivery is made to warehouses on the basis of the 80¢ rate, and is subsequently delivered to shipside, the total transportation costs per bale are in all cases less than $4.3837, the cost of movement from interior direct to shipside.

Example No. 1, water front plants that can effect shipside delivery reach shipside at a net transportation cost of $4.1475 per bale.

Example No. 3, back from the water front plants make delivery to shipside by switching service, standard compressed bales at a net transportation cost of $4.3259 per bale.

Example No. 4, back from the water front plants delivery being made to shipside by railroad switch service, high density compressed bales, at a net cost of $4.2935 per bale.

Example No. 5, water front plants that cannot effect direct shipside delivery, but can make delivery to barges on the waterfront, net cost, $4.3175 per bale.

Example No. 6, back from the water front plants at Galveston, delivery from such plants to shipside being made by dray under contract at a net cost of $4.3275 per bale (R. 3284).

Therefore, the transportation cost of reaching shipside from water front plants that can effect direct shipside delivery without switching, draying, or barging, is $4.1475 per bale as compared with $4.3259 per bale, the transportation cost of reaching shipside from back of the water front plants on standard compressed bales, or a less cost of approximately 18¢ per bale, and $4.2935 per bale on high density compressed bales, or a less cost of approximately 15¢ per bale. Water front plants that cannot effect shipside delivery are at a disadvantage to the same extent where car switching is employed. Where delivery is made by barges, the comparison is $4.1475 per bale with $4.3175 per bale, or 17¢. At Galveston, the comparison is $4.1475 per bale with $4.3275 per bale, or full 18¢.

At Galveston, cotton for George H. McFadden & Bros. [fol. 646] Agency and Neil P. Anderson & Co., when for local delivery, is delivered to the plants (No. 1 and No. 2) of the Southern Compress & Warehouse Company, which are located back from the (R. 3285) water front and cannot effect direct shipside delivery, and cost of shipside delivery, both for export and coastwise, are as shown in Exhibit No. A-120 and are in addition to the transportation charges for local delivery to the warehouses and intra-plant service costs for breaking out of store, trucking, loading, or delivery to drays. The intra-plant service of the back of the water front warehouses and the interior warehouses covering the service of breaking out of store, trucking from store to loading platforms and warehouse, loading into cars or delivery to drays, is comparable with the intra-plant service of the water front facilities for breaking out of store, trucking from warehouse to ship's berth, from which the total expense is borne by the steamship representatives. In my opinion, the cost to the back of the water front plant for breaking out of store and trucking and loading into cars is much greater than the cost of breaking out of store and trucking to ship's berth at the water front. In addition to that, the back of the water front man pays approximately 3½¢ per 100 pounds to reach shipside which expense, whatever it may be at the water front, is borne by the steamship. Shipments direct from the interior for export or coastwise movement for account of George H. McFadden & Bros. Agency and Neil P. Anderson & Co. are assessed with shipside rates, which are, exclusive of wharfage, from 3¢ to 3½¢ per 100 pounds higher than the (R. 3286) rates assessed for local delivery.

In making delivery to shipside from plants at Houston and at Galveston, all cotton owned or controlled by George H. McFadden & Bros. Agency and Neil P. Anderson & Co., the costs of delivery to shipside are in addition to the local delivery rates, which aggregate costs, based on present rates per car, for switching to shipside and unloading at shipside, on account of unloading allowance at the ports of 1¢ per 100 pounds on local delivery cotton, are slightly under the total cost per bale of moving cotton direct from the interior to shipside and are in excess of the cost of delivery to plants on the water front that effect shipside [fol. 647] delivery without drayage or switching, in the

amount that it costs to move the cotton from such plants back from the water front to shipside at private plants on the water front at Houston that effect direct delivery to shipside or at public wharves. The unloading allowance of 1¢ per 100 pounds from the carriers is made only when the privilege of concentration is not used and where cotton is not compressed at Houston or Galveston at carriers' expense. Under the one rate plan the back from the water front cotton must exercise the privilege of concentration and re-shipment in order to secure refund of cost of delivery to shipside.

Three cars of cotton, one originating in Houston for switch movement for shipside delivery, one originating in the interior consigned to Houston locally for local delivery, and (R. 3287) one originating in the interior consigned through on a through bill of lading, or on an export bill of lading destined to shipside, and to a water front plant that effects shipside delivery. All three of these cars frequently are placed for unloading on the adjacent tracks at the Houston ship channel for unloading on to the facilities located at the ship channel. In other words, cotton originating at a back of the water front facility at Houston, loaded in a car and switched to the ship channel for delivery to shipside and cotton originating in the interior moving on a local bill of lading, destined to a facility on the ship channel and cotton originating in the interior, shipped on a through bill of lading or an export bill of lading, delivered to a facility at the ship channel, are usually placed on immediately adjacent switch tracks at the ship channel facility for unloading. I am referring to the facilities of the Houston Compress Co. or Alexander-Sprunt & Co. The cotton from the interior on a through bill of lading to shipside and the cotton in switch movements pay additional transportation charges for the same transportation service over the cotton consigned to Houston for local delivery. The comparative costs for these services are shown in my exhibit (R. 3288) No A-120.

In Houston and at Galveston there are less switch moves and less transportation services made in making delivery to warehouses back from the water front than in making delivery to plants at Houston located on the water front

that can effect shipside delivery. As example, we are taking three cars arriving in the same train, first car con- [fol. 648] taining cotton from the interior direct to shipside, at Long Reach, second car containing cotton from the interior for local delivery to the Houston Compress Company's Long Reach plant, and third car containing cotton for local delivery to the Southern Compress & Warehouse Co., back from the water front. These plants are each located on the International-Great Northern Railway, and the switching and delivery is performed by that same railway. I had Exhibit No. A-121 prepared, and from my knowledge of the Houston Terminal situation, it is approximately correct (R. 3289). On arrival at Houston, the train would be stopped in the I-GN North Yard, symbol 5 on Exhibit A-121, where it would be broken up and the cars classified. The same three cars would be brought together from the I-GN North Yard to their Congress Street Yard, symbol O in which is located the plant of the Southern Compress & Warehouse Co. There the car for delivery for the Southern Compress & Warehouse Co. would be placed for unloading at the plant, which is located in the Congress Street Yard. The car for local delivery to the Houston Compress Co.'s Longreach plant, and the car for shipside delivery at the same Longreach plant, would, after re-classification, be taken by another engine from the Congress Street Yard, symbol O, out to the I-GN Yard on the ship channel, known as Booth Yard, symbol 8, and would there be held until ordered placed for unloading. In other wards, the movement would first be from Symbol No. 5 to Symbol O, on Exhibit A-121, and at symbol O, there would be another re-classification, and then there would be a movement similar to a line haul by the International-Great Northern from symbol O, on Congress Street, about seven miles down to the ship channel, or whatever distance it happens to be, and the cars would again be placed in Booth Yard, symbol 8. That would be a switching movement for a distance of approximately not more than 5 miles, from symbol O to (R. 3290) symbol 8. Then it would be put into Booth Yard for re-classification again. That would be a third classification of those cars. Then they would be classified and moved from Booth Yard into the Longreach plant, symbol P, and placed for unloading. If

there should happen to be any flat cars going to Houston to the Houston Terminal Railroad, which has connection with the I.-G. N., those cars would be placed on interchange track down at the ship channel, and the port terminal railroad would take those cars off to symbol 7 on Exhibit A-[fol. 649] 121. There they would break them up again and place them in the switch, such as the Turning Basin Compress, a plant served by the Port Terminal (R. 3291) Railroad. The cars for shipside delivery and for local delivery at the Houston Compress & Warehouse Company, Longreach plant, and at the Ship Channel Compress Co., symbol Q, Alexander Sprunt & Son, would be placed on immediately adjacent tracks for unloading. Alexander Sprunt is marked Symbol T on the legend, and the Q that is shown on the Channel here is the plant of Alexander Sprunt, therefore where it shows T, Alexander Sprunt & Son, that T should be erased and Q instead. A charge of 4¢ per bale, which is absorbed by the railroads out of the rate, is made by the Houston Compress Co. (Anderson Clayton & Co., operators), and the Ship Channel Compress Co. (Alexander Sprunt & Son, operators), for unloading the direct movement from the interior to shipside and for delivering to steamship agent at shipside or within the usual distance, 200 feet from ship's tackle. The cars containing local delivery cotton and shipside delivery switch movement cotton would be unloaded by the Houston Compress Co., or other shipside facility for account of the owner of the cotton, the latter at a charge of 4¢ per bale. Where the cotton was unloaded by the Houston Compress Co. for the owner on local delivery cotton, the railroads would absorb 1¢ per 100 pounds unloading (R. 3293). In other words, on the domestic rate of 80¢, the railroads absorb the same unloading allowance or a greater unloading allowance than they do on the through bill of lading traffic. This would go to the owner of the cotton. The compress facility would unload it for the owner and charge him for unloading it, and the owner would obtain 5¼¢ per bale from the carriers as an allowance for unloading. On the through bill of lading cotton, the carriers would absorb the cost of unloading, not to exceed 4¢ per bale.

There would be two less switching moves and less service performed in placing the cotton at our plant back from the

water front in the Congress Street Yard, and one less move in placing cotton at our plant back from the water front in the 5th Ward, than there would be in placing the cotton for local delivery at the Longreach plant of the Houston Compress Co. However, the rate for the transportation [fol. 650] service is the same in each instance. On the two cars originating in the interior and going to the Houston Compress, Longreach shipside facility, one for local delivery to the Houston Compress Company and one on a bill of lading marked for export, the transportation service performed by the carriers would be identical and there would be no difference in the transportation cost to the transportation lines in making delivery (R. 3294) to the Houston Compress Company of the shipment on the local Texas intrastate rate than the cost of making delivery to the same facility of a car of cotton moving on the inter-tate 83½¢ export rate. When the cotton is moved from our plants back of the waterfront, from all of which we cannot effect shipside delivery, an additional transportation charge of 3¢ to 3½¢ per 100 pounds, exclusive of wharfage, is made by the carriers and paid by us in effecting delivery to shipside at the Longreach plant of the Houston Compress Co. and to other private plants and public wharves that effect shipside delivery. At the present time, under the present basis of switching and unloading charges, the cost of delivery from back of the waterfront plant to reach shipside is borne by the owner of the cotton, said owner has recourse to concentration claim privileges by the assessment by the railroad of shipside rates, which are 3½ to 3½¢ per 100 pounds higher than the local delivery rates, but because such delivery costs are the same or so nearly the same as the amount representing the 3¢ or 3½¢ per 100 pounds additional rate over the local delivery rate, the owner does not exercise the concentration privileges.

I desire to make reference to some testimony in the record on page 1544, of recent proceedings at Houston, with reference to the 1¢ unloading allowance, and in order to (R. 3295) make this clear, I desire to introduce Exhibit No. A-122, exact copies of the items contained in the tariffs dealing with this question. I prepared Exhibit A-122, and it is true and correct to the best of my knowledge and belief.

On domestic cotton going to a shipside facility, where the domestic rate of 80¢ would be applied, the items shown in this exhibit would obligate the carriers to assume the cost of unloading to the extent of 1¢ per 100 pounds, or approximately 5¢ a bale. I do not know of any contemplated change in this item by the carriers when the one [fol. 651] rate plan is finally approved. Under the one rate plan, the shipside facility would not lose this 1¢ unloading allowance, and should the one rate be made 83½¢, as testified to by Mr. Clayton, on page 1544, it would not (R. 3296) mean that the shipside facility would have a total cost of 84½¢ per 100 pounds, including the cost of unloading, for the reason that at the shipside facility on cotton going direct to ships berthed at this facility the railroads would continue to absorb the 1¢ unloading allowance and there would be no difference as between this and the carriers' practice of absorbing the unloading on a through bill of lading or ships cotton under the one rate plan. At the present time, the carriers are paying at Galveston 5½¢ per bale for unloading through bill of lading cotton or ships cotton, and 4¢ per bale for unloading the same character of cotton at Houston.

In actual practice, at the present time few concentration claims are filed on cotton switched from back of the waterfront to shipside at Houston or Galveston, because of the two rate plan being in effect, and under the one rate plan, when it goes into effect, on all cotton which has been previously concentrated there would be no concentration claims filed at Houston or Galveston, consequently on this character of cotton the facilities would be entitled to receive, under the one rate plan, the allowance of 1¢ as set forth in Exhibit A-122. Under the one rate plan, cotton which would receive concentration for the first time at Houston and forwarded to shipside by rail, through either a back of the waterfront (R. 3297) or waterfront facility for export, the carriers would apply the one rate fixed for export movement and would deliver that cotton to shipside, absorbing the cost of unloading at shipside, the same as they do now and would do on through bill of lading or shipside cotton from the interior. So it is apparent that both the waterfront and back of the waterfront facilities at Houston and Galveston will be on a complete parity with

the interior under the one rate plan, both as to domestic traffic and export traffic, comparing like with like, that is, comparing the receipt and handling of flat cotton at the interior with the handling of flat cotton at the port, and comparing the handling and receipt of compressed cotton at the interior with the handling and receipt of compressed cotton at the port. I think Mr. Clayton was lead into error [fol. 652] in his statement because of the fact that he compared unlike things. That is, he compared the receipt and handling at the port of previously compressed cotton with the receipt and handling of flat cotton in the interior. In order to make this clear, we will take a shipment of flat cotton originating at Rockwell and compressed at Dallas. Here the compression allowance, as shown on Exhibit No. A-122, would include the cost of unloading. Take a bale of cotton originating at Crockett, moving flat to Houston, there compressed in transit and moving thence to Galveston. Here the carriers would absorb the cost of unloading out of the compression allowance (R. 3298) at Houston, just the same as they would at an interior point. There is no difference in the application of the tariffs on like commodities.

Now, comparing the receipt and handling of compressed cotton at the port versus the interior, I find that cotton, we will say, originating at Cumby, compressed at Greenville, stored and concentrated at Dallas, the interior facility would have to bear the cost of unloading this cotton into the facility at Dallas and the cost of loading it out, as per the items shown in Exhibit No. A-122. In other words, the interior facility in that instance would not obtain any part of the compress allowance with the cost of unloading and loading the cotton out. The same bale of cotton originating at Cumby, compressed at Greenville, and received by a Houston waterfront or back of the waterfront facility, there would be an allowance of 1¢ per 100 pounds for unloading by the carrier to the Houston facility, provided it did not take advantage of the concentration in transit privilege. There is no allowance to the interior facility regardless of whether or not it takes advantage of the concentration privilege on compressed cotton. So in actual application of the items shown in my Exhibit A-122, using like commodities, the discrimination is (R. 3299) against

the interior and in favor of the port, so far as the 1¢ unloading allowance is concerned.

Among the objections advanced in opposition to the one rate plan, references have been made to the dire extremity a cotton merchant would find himself in in having only 100 bales of cotton at a warehouse at the ports which he desired to deliver to shipside, but on checking his records found that the cotton may have been received over five of the [fol. 653] seventeen railroads serving the Port of Houston, and on account of the cotton not arriving at Houston over one railroad he would, under the one rate plan, be unable to make delivery to shipside.

We cannot believe that this objection has been raised without the objectors having carefully considered Item 41 of Texas Lines Tariff No. 29-D, I. C. C. 190, inter-state Rules and Regulations governing the compressing and concentration of cotton and cotton linters. The item is as follows:

(a) Cotton or cotton linters concentrated at Houston, Galveston or Texas City may be reshipped to Galveston or Texas City (also to Houston Docks or wharves, municipal or private, when concentrated at Houston, for trans-shipment by vessel to foreign destinations, or to points in the United States, Canada, or Mexico, where rates are legally published via Gulf, in connection with the line of railroad on which the concentration privilege is allowed (R. 3300).

(b) Cotton or cotton linters concentrated at Galveston or Houston may be reshipped under this rule via Gulf to points in the United States or Canada as provided in this paragraph, and may be delivered direct to steamship lines (*S.* 5901).

Certainly under this item the owner of the cotton has the privilege of declaring cotton for export and calling on the lines bringing the cotton into Houston to make delivery to shipside. It would be the carriers obligation to arrange some method whereby the delivery would not be made in five different cars, one car each for account of the lines interested in the inbound movement, with that idea in view, Item 65, of Texas Lines Tariff 29-C, I. C. C. 190 provides that the carriers will pay the actual cost of drayage or barge service where cotton is reshipped under the rules of the

tariff. Further, paragraph "b," of Item 41, with respect to coastwise traffic, which is shipside traffic, states that delivery can be made direct to the steamship lines. Further, Item 42, of the same tariff—Reciprocal Routing—Houston to Municipal Wharves—now cancelled because not used, provided that cotton arriving via one line might be reshipped to the wharves by any one of the other Houston lines, and this rule unquestionably would be restored by the carriers to cover the situation as was done at the time [fol. 654] the item was in effect, and probably for some of the same reasons that (R. 3301) Item 50, Reciprocal Routing, Houston to Galveston or Texas City, is published in the same tariff and is still in effect. The mistake generally made in connection with delivery to shipside of cotton from warehouses at the ports is that a carload quantity must be delivered to the carriers for further transportation service. There are no such requirements, as the rates apply on cotton "any quantity," one bale the same as 1,000 bales, and the compression and concentration rules likewise apply on cotton "any quantity."

With reference to concentration in the interior, on page 1469 of the record of proceedings, at Houston, reference is made that there is an additional cost to the carrier in concentrating cotton at compress points as compared where the cotton is not concentrated but is covered by a through bill of lading and stopped at the compress point for compression only. It was recited that there would be a substantial difference by reason of the fact that freight bills would be made at the concentration point, freight charges collected, and new bills of lading issued. So far as new waybills covering being issued is concerned, the carriers continue the practice of making compress waybills covering compression charges, hence there would be no additional service in waybilling. Freight bills are made at the concentration point, but as a result of the concentration small lots of cotton are combined into larger lots; and (R. 3302) speaking not only with reference to comparison of freight bills, the cotton is shipped out of concentration point in larger lots, making of fewer expense bills at the ports, the result being that if the cotton had moved in small lots from points of origin to the ports the same number of freight bills would have been made as at the concentration point, and frequently

more, for the reason that some shippers take separate bills of lading for each mark representing a specific grade. I have had occasion recently to observe an instance of that kind. We purchased 1,500 bales from the Farm Bureau in Houston, and they delivered to us with that cotton freight bills totaling 1067. The trade contemplated and the rules of the exchange require that freight bills be transferred with the transfer (R. 3303) of ownership of the cotton, and [fol. 655] we acquired the freight bills for concentration claim purposes. If there had been a penalty for concentration either at the interior or at the port or anywhere else on that cotton, in my judgment, that charge for concentration would have been taken into consideration in fixing the price on which the cotton was transferred from the Farm Bureau to my firm. It would not have made any difference if the Farm Bureau had not used the concentration privilege, because the charges would follow the cotton. When cotton is concentrated, the railroads are saved the necessity of checking the outbound loading against the inbound billing, and also the probability that small lots of cotton moving direct from points of origin would be sold and moved to different consignees at the ports, but when concentrated in the interior would be offered and sold to one or fewer buyers. Cotton originating at a compress point is included in reshipment on same waybill, but if shipped separately would require a waybill (R. 3304). Further, as compensation for the small amount of additional clerical work which may be involved in concentration, the carriers collect and have the use of a considerable sum of money during the interval of collection of charges at concentration point and payment of concentration claims. This results in the saving of considerable interest to the carriers. There is in fact no additional cost to the transportation lines for the privilege of concentrating cotton which they permit at interior compress plants, in my judgment. There is no additional service performed on cotton that is concentrated at these plants than would be performed should the cotton move as strictly railroad transit cotton, while there are no additional costs to the carriers, there are substantial additional benefits received by the carriers from the fact that the cotton is concentrated.

I wish to refer here to testimony of witness F. R. Dalzell, pages 1163 and 1171 of the record, outlining anticipated dif-

ficulties under the one rate plan in connection with movement of cotton into Houston uncompressed that passed a compress before arrival at Houston. In this connection, reference is made to Exhibit A-44, showing locations of the last compresses from interior to Houston, and statement [fol. 656] showing number of bales of cotton of crop of 1924 produced in counties named and which would be produced in that area beyond the last compress enroute to Houston. Great stress (R. 3305) was laid upon the fact that cotton originating north of Brenham, a distance of 72 miles from Houston (short line mileage), would, under the one rate plan, have to be compressed at Brenham, or a penalty of 12¢ per 100 pounds incurred in disposing of the cotton at Houston.

First, the water rates beyond Houston are based upon the cotton being compressed. A rate is named on standard compressed cotton, which is of density of 22½ pounds per cubic foot, and a second lower rate on cotton compressed to a greater density, usually 34 pounds per cubic foot. The rate on cotton described as uncompressed or flat cotton as it comes from the gin, with density of from 10 to 12 pounds per cubic foot, are higher than the rates on standard and high density cotton.

The amount of cotton that is consumed locally at the ports is almost negligible as compared to the total received at Houston and Galveston. Likewise, the percentage of cotton that moves uncompressed from Houston and Galveston is negligible as compared with the export or coastwise movement, which is described as shipside delivery cotton.

The steamship rates being on compressed cotton, it naturally follows that facilities must be provided for the compression of cotton for the convenience of the trade. Whether these facilities should be provided at the ports or in the interior depends of course as to the necessities of (R. 3306) the owners of the cotton in making the shipment for shipside delivery. If there was not a compress established at Brenham, which is 72 miles Northwest of Houston (short line mileage), located on the G. C. & S. F. and Southern Pacific Railways, cotton originating at Hoyte, on the Santa Fe, would move north to Cameron for compression, which is a point just north of Hoyte, on the Santa Fe, or move uncom-

pressed south to Houston to be compressed at Houston out of the rate if the owner of the cotton desired the cotton to move on a rate which included the cost of compression. The uncompressed rate from Hoyte to Houston is 68¢ and to Galveston 74½¢ per 100 pounds. The rate including the full cost of compression to Houston is 74¢ and to *and to* [fol. 657] Galveston 74½¢. In other words, the shipper would be paying 6¢ over the uncompressed rate to have the cotton compressed at Brenham when moving to Houston, but if the cotton moved out of Houston to Galveston, the rate including the full cost of compression is the same, viz: 74½¢ per 100 pounds.

The second compress point on the Santa Fe from Houston is Cameron, a distance of 183 miles. To Houston, the rates are, uncompressed 69½¢, compressed, including the cost of compression, 74¢. To Galveston and Texas City, the rates are, uncompressed 76½¢, compressed, including cost of compression 76½¢ (R. 3307).

The tariff, containing rules governing the cost of compression of cotton and cotton linters, stipulates with respect to intra-state traffic that when the rate is 74¢ or more, the carriers will assume 18¢ per 100 pounds for compression.

When the rate is less than 74¢ and exceeds 56¢ the carriers shall assume the cost of compression only to the extent that the rate exceeds 56¢.

When the rate is 56¢ or less, the cost of compression shall be assumed by the shipper or added to the rate when paid to the carriers.

When the shipment is of inter-state nature and with reference to shipside rates, the figures above are increased 3½¢, making 77½¢ the minimum rate out of which the carriers assume 18¢ per 100 pounds for compression. (See item 350 of Texas Lines Tariff 17-D, I. C. C. 135.) The tariff and these rates are applicable alike to the interior and the port interests. The port concentrator naturally would not pay full 18¢ additional in order to have his cotton compressed in the interior, but the shipper or receiver of the cotton at the port would become interested in having his cotton compressed in the interior where the uncompressed rate exceeded 56¢ by as much as 7¢. Or in other words, when the uncompressed rate was 63¢, or more, the cost of compression in the (R. 3308) interior would be in no case greater than standard compression at the port, the

rate for standard compression at the port being 60 cents per bale.

I wish to introduce exhibit giving the routes and tariffs that are referred to in this statement, and they should be introduced somewhere along in the statement. I prepared Exhibit A-123. It is true and correct to the best of my [fol. 658] knowledge and belief. The rates on cotton from Brenham to Houston are, 55¢ uncompressed, 66½¢ compressed, including the cost of compression.

The rates on cotton from Navasota to Houston are, 55¢ uncompressed, 66½¢ compressed, including the cost of compression (R. 3309).

In these two cases, the spread between the uncompressed rate and the rate including the total of compression is 11½¢, therefore, the owner of the cotton could, without loss to himself, have the cotton compressed at Brenham or Navasota at a less charge than the charge would be for standard compression at Houston, if the cotton moved into Houston uncompressed. These are the only two compresses located within 75 miles of Houston, and it should be said here that rate of 66½¢, including the total cost of compression, applying from Navasota and Brenham, is by special authority.

According to Exhibit A-44, the next nearest compress to Houston is Victoria, 129 miles from Houston. The rates from Victoria to Houston are, 68¢ uncompressed, and 74¢ including the total cost of compression. To Galveston, 73¢ uncompressed and 74¢, including the total cost of compression.

On the I. G. N. northeast from Houston, the first compress is at Palestine, 151 miles from Houston. The rates from Palestine to Houston are, uncompressed 73¢, including total cost of compression 74¢. To Galveston, 79¢ uncompressed and compressed. Cotton originating south of Palestine may move to Houston and compress at Houston, the carriers absorbing the cost of compression, which is done where the uncompressed rate exceeds 56¢ by as much as (R. 3310) 7 cents, which would include the largest cotton producing area on that line of the I. G. N. between Houston and Palestine. The object of the above statements is to show that the owner of the cotton would incur no extra expense in having his cotton compressed at compress points in the interior, although the compress point was located but

72 miles from Houston. It should be taken into consideration that these points furnish the carriers with facilities for compressing cotton from a considerable area beyond these points, and from Brenham the railroad not making the short line to Houston, would have approximately 60 additional transportation miles on basis of the short line rate. [fol. 659] Where the uncompressed rate does not exceed 56 cents by as much as 7¢, the owner of the cotton could move same to Houston and have the cotton compressed at Houston, either standard or high density and delivered to shipside, and freight bills covering such movement would not be used in concentration refund claim, but would be used as a basis for unloading claims of 1¢ per 100 pounds, the owner of the cotton assuming the cost of delivery to shipside at Houston. Consequently, there would be no penalty of 12½ per 100 pounds as referred to. In my judgment however in fairness to the interior shipper there should be one rate in actual fact—applicable alike to the interior and the port man which should include the same penalties and the same charges that are at the present (R. 3311) time under the two rate plan applicable to the interior shipper 100 per cent and to back of the waterfront man to a less extent.

Referring to statement showing 403,529 bales of cotton produced in season 1924-25 in territory contiguous to Houston, of which it is estimated 329,619 bales would not pass a compress in moving to Houston, after analyzing these figures we make the following observations.

That approximately 30,000 bales of such cotton would move to Houston by truck, and for the future it is anticipated that the movement of cotton by truck from nearby points to Houston will increase.

That approximately 7,000 bales of such cotton could move advantageously to Galveston by truck.

That of the remainder, approximately 100,000 bales would move from points of origin to Houston or Galveston with compression at Houston out of the rate. As an example of this, we take cotton originating in Leon County. Cotton routed via T. & B. V. from stations south of Teague would not pass a compress en route to Houston, but the rates on uncompressed cotton are from 69½¢ to 7¢ to Houston, and from 76½¢ to 79¢ to Galveston, consequently, the owner of the cotton would ship the cotton to be com-

pressed in transit at Houston. The same would apply in connection with cotton moving from Houston County, South of (R. 3312) Palestine, where it is estimated that 30,000 bales are produced that would move to Houston without passing a compress. The same would apply on [fol. 660] cotton from Washington County to a slightly less extent so far as the rate is concerned. From the foregoing it is to be noted that approximately 135,000 bales out of the 329,619 bales would be handled into Houston, either compressed or moved by truck and not subject to the penalties as described by the witness. Of the remainder some 200,000 bales, as stated, a good portion of same would move in on a rate which would permit the cotton to be compressed at Houston and delivered to shipside through the Port of Houston. The parties exporting the cotton would apply the freight bills to substantiate the unloading claims of 1¢ per 100 pounds and would not file claims for refund of the cost of delivery from back of the waterfront. It is assumed that a portion of such uncompressed cotton would move to compress or warehouses on the waterfront, which plants would have no occasion to file claims, other than for payment of the allowance for unloading.

Therefore, it is clearly apparent that the one rate plan applied to the cotton that moves into Houston uncompressed would present no difficulties not now experienced under the two rate plan.

On shipments moving from the interior direct to shipside on through export bills of lading to foreign destinations (R. 3313), issued in connection with the ocean carriers, ten days' time for unloading is allowed at the ports. On shipments from the interior direct to shipside on bills of lading reading to the port only and for export four days' free time is allowed for unloading. On shipments moving from the interior to the ports, for local delivery or to an interior point, two days' free time is allowed for unloading. An average demurrage agreement is in effect and applicable to each of the three above mentioned transportation movements.

On the two export movements, a maximum credit of eight days may be obtained on one car. On the local delivery movement a maximum credit of four days may be had.

These credits are obtained by unloading other cars before the expiration of free time of ten, four and two days respectively. However, the interior shipper is not benefited by this free time on export shipments at the ports for the reason that the extra free time on the export movements is the result of an arrangement between the rail and ocean [fol. 661] carriers and which arrangement has been perfected after long and careful study of the situation so that the ship owners or agents will be protected in the proper allocation of steamers. Of course, it is not to be understood that each car detained beyond the free time would obtain the maximum credits. To obtain the credits it is necessary that other cars be unloaded in less than the usual free time allowed (R. 3314). As a matter of fact, as shown by Mr. Swain's exhibit or statement, filed in former record, the average detention at Galveston of cars of export cotton was less than two days for season 1923. The port consignee does benefit from the four days' credits available to local shipments. I wish here to refer briefly to testimony at the proceedings of witness Mitchell—as to detention at New Orleans of cotton on through ladings for export. There is a situation at New Orleans peculiar to that port where to release equipment the New Orleans lines unload both domestic and export traffic including cotton—Item 19 page 11 of freight tariff 4-B Emerson's I. C. C. 105 covers this condition.

I now desire to offer Exhibit No. A-124, which is a correct copy of this item. I prepared Exhibit A-124. It is true and correct to the best of my knowledge and belief (R. 3315). Attention is directed to subdivision A of Sec. 3 applying to domestic shipments permitting 4 days' time on that traffic for the purpose of exercising the privilege extended under this item of merchandising of compressed cotton and linters on the carriers' facilities, during which the domestic shipment could be and is declared for export and obtains an additional three days' free time—we do not understand that our New Orleans friends desire to have this privilege cancelled. The through bill of lading cotton would necessarily have this merchandising service performed in the interior and the shippers pay for the use of interior facilities for this service. To my knowledge

there are no carriers that allow the performance of merchandising service on their facilities in the interior. It is difficult to imagine how Mr. Mitchell could construe this item as a discrimination against the port and in favor of the interior. It seems to me that the reverse is true. At Texas ports the demurrage agreement between the carriers [fol. 662] and the steamship agents results in promptly releasing the carrier's equipment containing through bill — lading cotton while at New Orleans the carriers themselves provide facilities so that car equipment may be released. It is my understanding that that applies on both domestic traffic and export traffic at New Orleans (R. 3316). The carriers permit the merchandising of domestic cotton on their facilities at New Orleans. They make a charge there per bale for the services and for the use of the facilities, so that the owner of the cotton may prepare it for export, and as indicated there on Exhibit A-124, there is a note which shows that the cotton not accepted in trade must be removed, in a certain length of time from the carrier's premises. In other words, a port merchant can ship cotton on domestic bill of lading from the interior to New Orleans and use the carrier's facilities for 4 days except he must declare it within 48 hours of the notice of arrival for the purpose of merchandising his cotton, and then he can declare it for export and get 3 days' additional time on his facilities and delivery to shipside (R. 3317). That would enable the port merchant, as I understand it, to utilize the carrier's facilities for the purposes for which the interior man has to pay. The issuance of a through bill of lading from the interior to foreign destinations, in connection with an ocean carrier, does not entail any considerable work upon the issuing agent. Such ladings are only issued at large shipping points and under a perfected arrangement the rail agents at such points and under a perfected arrangement are at times advised in advance concerning the steamship agents bookings with shippers at each point, together with steamship contract number and information as to rate and delivery dates (R. 3318). Usually it is not necessary to even telegraph over the railroad wires to the port representative of the rail carrier to obtain confirmation of bookings. At Dallas, the principal

steamship agents have representatives located, who make bookings with interior shippers the same as do port steamship agencies with port shippers, and the interior agencies can and do confirm to the railway agents all details or contracts without necessity for referring to steamship agencies of the ports. As stated, sometimes the carriers furnish such information in advance of the movement, and this information is distributed in such a manner as to minimize [fol. 663] inquiries as to confirmation of ocean contracts. In reality the issuance of a through bill of lading is of benefit to the carriers for the reason that at the ports the carriers do not effect delivery of the shipment in or on their own terminals, but cars are delivered at the ports to wharf or terminal companies which effect the delivery to the ships and thereby prevent an accumulation of cars in the carriers yards at the ports.

Further, at the ports fifteen days free time is allowed by the wharf or terminal companies in which cotton may be held without charge in the warehouse of wharf or terminal companies when for delivery to ships. The port concentrator may avail himself of this free time, which would give him as much free time as would be extended to shipments from the (R. 3319) interior covered by export bills of lading. This fifteen days free time would be allowed on all cotton store on the wharf for delivery to ships so far as facilities will permit, and it will be noted exceeds by five days the free time allowed on cotton covered by through bills of lading in cars from interior to foreign destinations.

At Houston, under the Port Commission rules applying to the public wharves, fifteen days free time is allowed on cotton stored on such wharves awaiting delivery to ship. The same is also true at Galveston and I understand at other Gulf ports.

It would be my understanding that it might enable a shipper to put his cotton intended for export on the wharf without taking out the bill of lading, and let it remain there 15 days without storage, after which time he would take out his bill of lading and the cotton would go forward on script issued against the bill of lading or the receipt covering the cotton.

A custody bill of lading provides that at the time the bill of lading was signed the cotton must be in the port and

(R. 3320) duly delivered to the captain, ship owner or authorized agent, and the steamer named in the bill of lading must be on her way to the, or practically off of the port of leaving. In the case of the custody bill of lading it is further provided that an agent or master's receipt must be issued within 3 weeks of the date of bill of lading, proof [fol. 664] that the cotton had actually been put on board within that period. So if the terms of the sale of the foreign buyer would permit the use of a custody bill of lading the steamship agent would issue a custody bill of lading and the cotton could, if the vessel was so delayed, remain on the wharf 3 weeks after the issuance of the bill of lading, in addition to which would be added the time, that is the free time he may have had on the wharf before that custody bill of lading was issued, which would possibly be a total of 36 days maximum (R. 3321). The firms with which I am connected do buy cotton in large quantities in Oklahoma and in Texas and ship such cotton largely to Houston and to Galveston for concentration by local delivery. Also they make subsequent reshipment to shipside at Houston and Galveston for export or coastwise movement; also from concentration to southeastern mills via New Orleans, Louisiana, and to Pacific Coast via all rail, and they also make direct shipments from interior shipping points to the southeast, to Canadian and New England mills for domestic consumption, and to the Pacific Coast for domestic consumption and for export. They also ship some cotton on through bills of lading reading to the ports for export and to a less extent on through export bills of lading to foreign destinations. Cotton billed for local delivery to ourselves is all delivered to warehouses at the ports that cannot effect direct delivery to ships, while cotton delivered to the Longreach Plant of the Houston Compress Co., Anderson Clayton & (R. 3322) Co. operators, Ship Channel Compress Co., Alexander Sprunt & Son operators, and to the Turning Basin Compress Co., Weatherford Crump & Co. operators, for local delivery is delivered at the same rate, although such plants can and do effect direct shipside delivery.

From the tariffs applying, it is noted that the rates for shipside delivery, exclusive of wharfage, are from Oklahoma points 3¢ per 100 pounds and from Texas points 3.5¢

per 100 pounds more than the rates for local delivery. Texas-Louisiana Lines Tariff No. 50, I. C. C. No. 166, Southwestern Lines Tariff No. 80-G, I. C. C. No. 1776, and Texas Lines Tariff No. 17-D, I. C. C. No. 135.

From Texas points to New Orleans, the export and local delivery rates are the same, viz: 96¢ per 100 pounds, except that the Texas & Pacific Railway apply from certain points [fol. 665] on their line an export rate, including wharfage, of 85.5¢ per 100 pounds, the same as applies from same points of origin to Houston and Galveston. This 85.5¢ rate is met by other lines that can handle the traffic originating at the same points of territories, or in other words that come in competition with the Texas & Pacific, and is lower than the local delivery rate.

From Oklahoma common points the rates to New Orleans for local delivery are $1.055 and for export $1.06, only .5¢ difference. A difference of 1¢ applies from Oklahoma (R. 3323) points, such as Ardmore, Waurika, and Durant. From Ardmore and Waurika the rates for local delivery are 1¢ per 100 pounds higher than the rates for export. From Oklahoma there is only a half a cent difference in the rate, and that rate includes the wharfage. There is a tollage down there that represents the same as wharfage at the Texas ports. Leaving out of consideration the wharfage both on the export and domestic rate, the export rate is about a quarter of a cent lower than the domestic rate, as I understand it. From Durant the rates for local delivery are 1¢ per 100 pounds less than the rates for export. From Muskogee the rates are .5¢ per 100 pounds less for domestic delivery than for export. The same .5¢ difference applies from Altus, Clinton, Hobart and Mangum, but from Salisaw, Oklahoma, the rates to New Orleans for local delivery are 5¢ per 100 pounds less than the rate for export. This 5¢ per 100 pounds difference applies from Fort Smith and Van Buren, Arkansas, and from Little Rock, Arkansas, Hope, Arkansas, Walnut Ridge, Arkansas, and from McGehee, Arkansas, which are some of the principal shipping points. It will be noted that from a majority of Oklahoma points (R. 3324) to New Orleans the rates are only .5¢ per 100 pounds higher for export than for local delivery, and from Texas, Oklahoma and Arkansas points, as referred to above, to Houston and Galveston for export, the

rates are 5¢ to 5.5¢ per 100 pounds higher than for local delivery. To the Texas ports this 5¢ per 100 pounds includes wharfage of 2¢ per 100 pounds, making the shipside rate uniformly 3¢ to 3.5¢ per 100 pounds higher than local delivery rates to the Texas ports of Houston and Galveston.

It should also be noted that from Oklahoma common points the rates to Houston and to Galveston for exports [fol. 666] are the same as to New Orleans for export. The rates for local delivery at Houston and Galveston are 4.5¢ per 100 pounds lower than the rates to New Orleans for the same kind of delivery. From Ardmore, Waurika and Durant the rates for local delivery at Houston and Galveston are 5¢ per 100 pounds less than for shipside delivery at Houston and Galveston, while at New Orleans there is a 1¢ per 100 pounds difference.

Thus it will be seen that the rates on cotton from Texas points to New Orleans are the same, both for local and export delivery, with the exception of that portion of the territory where the Texas & Pacific influence the same export rates to New Orleans as to Galveston. From Oklahoma producing points the local delivery and export rates to New Orleans are the (R. 3325) same within 1¢ per 100 pounds, and the rates that are applicable to a greater portion of the movement are within .5- per 100 pounds.

Thus it will be seen that from Texas and Oklahoma points competitive between the Port of New Orleans and the Texas ports, there is established practically one rate to New Orleans.

With respect to the rates from points in the states of Alabama, Georgia, Mississippi, North Carolina, South Carolina, Tennessee and Virginia to New Orleans for local delivery, by reference to J. H. Glenn's Port Cotton Tariff 15-A, I. C. C. A-525, item 16, page 4, the Illinois Central, Yazoo & Missisippi Valley, New Orleans & Northeastern, New Orleans-Great Northern and Louisiana Railway & Navigation Company, you will note the following for account of those lines named:

"The rates published herein to New Orleans, Louisiana, except as provided in Note 13, page 3, apply to New Orleans (Depot Delivery), Louisiana. The term 'Depot Delivery,' means delivery of shipments to warehouses or cotton yards of the lines named above, or delivery of shipments to cotton

presses, industries or warehouses at New Orleans, as authorized in the tariffs of the lines named above, provided such cotton presses, industries or warehouses do not affect shipside delivery."

[fol. 667] In the foregoing statements it is shown that cotton concentrated at Houston and Galveston by the firms which I represent (R. 3326) is altogether at warehouses back from the waterfront, and delivery for such concentration is made on basis of the local rate, but to reach shipside an additional transportation cost, exclusive of wharfage and intra-plant service, of from 3¢ to 3.5¢ per 100 pounds is incurred, and to extent such shipside delivery can be made from points on the waterfront without being charged for such transportation cost, the cotton handled for the firms which I represent is penalized.

There is a cost of intra-plant service, whether performed by ourselves or whether performed by public compresses for our account, in getting the cotton out of stock or store and making delivery to the railroads loaded in cars, or by use of drays and/or barges. Such costs we do not consider as transportation costs or costs which should be absorbed by the carriers, but do contend that the carriers should make no higher total charge for delivery of cotton handled at Houston and/or Galveston for our account for concentration at plants back of the waterfront and final delivery to shipside than charged for the same transportation service through plants located on the waterfront which can and do effect direct delivery to shipside.

This discrimination or advantage can be most easily adjusted by the carriers charging one rate for local, for export, and/or coastwise movement.

With respect to movement of cotton for account of the firms (R. 3327) with which I am connected, there is very little movement on through bills of lading from interior points to foreign destinations via the Gulf ports. The movement on through export bills of lading to foreign destinations has rapidly decreased until the amount is almost negligible, and it is our information that this situation is also presented in movement for account of a majority of other cotton firms located in the interior and/or at Houston and Galveston. The terms of sale to foreign buyers spec-

ify whether cotton is to move on through export bills of lading or on port or custody bills of lading. I offer Exhibit A-125 which defines these bills of lading. This exhibit was prepared by me, and is correct to the best of my knowledge and belief. The basis of the exhibit is information [fol. 668] with reference to the kinds of bills of lading agreed upon in the so-called Liverpool conference (R.3328). It is taken from our records of the agreements reached in the Liverpool conferences, and these bills of lading were specified in that conference. It was a communication in the records of the Liverpool conference. They are not the identical rules as adopted. If the terms of sale will permit a through export bill of lading to be issued and the shipper has cotton in the interior, there would be no penalty against through export bill of lading as compared with port bill of lading insofar as the value of the exchange is concerned.

Now and then we hear that the through export bill of lading from the interior via the ports to foreign destinations is an advantage to the interior cotton merchant in that it enables him to liquidate his banking indebtedness earlier than can be done by the port cotton merchant where cotton is assembled (R. 3329) at the port for delivery to ship. It is obvious that if the through export bill of lading covering movement from the interior to foreign destinations and the bill of lading covering movement from the port to foreign destinations can be banked on the same day there would be no difference in the interest; consequently, there would be no advantage interior vs. port or port vs. interior.

In actual practice the interior merchant can only obtain his through export bill of lading after he has assembled at one of the concentration points in the interior sufficient cotton of even running grade and staple to make shipment against his sale contract.

The same condition would apply for account of the port merchant in making shipment from stocks at the ports, but on account of the restricted territory from which cotton may be concentrated at any one given interior concentration point it is apparent that it would take considerably longer to assemble a sufficient number of bales of cotton from which could be selected round lots of even running

cotton of grade and staple than it would take to assemble the required amount of cotton at the ports, for the reason that where the shipper concentrated all of his stock at one point the cotton is assembled more quickly than at a number [fol. 669] of points in the interior, particularly on account of the smaller volume of movement to interior concentration points than to the one (R. 3330) concentration point at the port.

While there is some testimony in this record which disagrees with my statement of facts on this matter, nevertheless in other records in which Houston's principal witness has testified he has given testimony which substantially agrees with my statement on this question, and I desire to introduce my exhibit No. A-126, which is a portion of the testimony of Mr. F. R. Dalzell in I. & S. Docket No. 1641, cotton and cotton linters from Texas to the gulf ports. I have prepared this from the testimony in that record, and it is true and correct to the best of my knowledge and belief. It is only a portion of the testimony (R. 3331).

(Objection was made to the admission of this exhibit on the ground that it was only part of the witness' testimony in another case.)

This brings us to the subject of concentration of cotton in the interior and at the ports, some of the purposes and benefits therefrom and the facilities and charges for the use of same.

The State Commission, as well as the Interstate Commerce Commission, the latter in Docket No. 14413 and other dockets, have thoroughly gone into the matter of concentration of cotton as a commercial necessity, as a result of which there are 100 concentration points in the interior of the state of Texas and 20 concentration points in the state of Oklahoma, at which there are located a total of 120 compresses, and at which points there are maintained cotton warehouses for the proper storing and safeguarding of the cotton crop of these states. The greater number of such facilities represent large investments and are properly financed so that (R. 3334) their warehouse receipts are readily accepted as collateral for financing the growing and [fol. 670] purchase of the crop, and taking into consideration that the value of the cotton produced west of the Mis-

sissippi River annually approximates one billion dollars, it is very apparent that to have sufficient capital for the financing of the crop requires the combined and co-operative efforts of producers, buyers, merchants and the banks. Consequently, it would be very detrimental to the industry that anything should be done to reduce the number of interior concentration points below that number which can handle the production of cotton with reasonable dispatch and afford proper protection against loss and damage of any kind.

[fol. 671] The firms with which I am connected operate extensively in the states of Texas and Oklahoma, whose annual normal production of cotton exceeds 5,000,000 bales. The cotton producing territory is well served by the rail carriers. There are in Texas more than 2,300 railway stations and in Oklahoma more than 800 railway stations, making a total in excess of 3,100 points, from which cotton may be shipped. The rates on cotton from Texas and Oklahoma points of origin are based on any quantity. That is, they are the same per 100 pounds on one bale as on 100 bales, with a very few exceptions. Otherwise the small producer and/or shipper would be at a disadvantage (R. 3335). The greater portion of the 5,000,000 bales produced in the states of Oklahoma and Texas moves to the gulf ports for export movement to foreign countries and coastwise movement to the East. Cotton is sold to the domestic or foreign buyers usually in round lots of 50 or 100 bales of even running grades and staple. The cotton produced in any one community is not of even running grades and staple. Consequently, it is necessary that facilities be provided where cotton can be assembled for the purpose of sampling, weighing, grading and preparation for shipment to foreign and domestic destinations.

To provide such facilities at each of the more than 3,100 points in Oklahoma and Texas would be at a tremendous expense, and would not meet the requirements, as too great a time would be required in which to accumulate 50 to 100 bales of even running grade and/or staple, and as a matter of expediency and economy a number of points conveniently located in producing territories are selected to which the cotton moves from the various other points of origin, and in this way markets are provided, facilities are established

for assembling, handling, protecting and shipping the cotton.

The railroads are benefited in that cotton is moved from points of origin, usually short distances, to the established warehousing points and compressed and is moved from such points to final destination in a larger number of bales per shipment by the use of interior warehouse and compress facilities, which (R. 3336) cost the carriers nothing, than would be made by shipping from points of origin to [fol. 672] final destination. In reality the character of the traffic, so far as the carriers are concerned, becomes carload quantity instead of any quantity because of the use of these interior facilities.

Further economies to the carriers are derived from the compression of cotton, with the result that a quantity of cotton moving into concentration points requiring 2.5 cars to 3 cars is usually shipped from the compress and warehousing point in 1 car. The compression of cotton is of benefit to the owner of the cotton for the reason that the rail and ocean rates on uncompressed cotton are higher than the rates applying on cotton with the privilege to the carriers of compression, in accordance with the rules and regulations as contained in the tariffs of the carriers filed with the State and Interstate Commissions.

Further, by compression the bales become merchantable for shipment by ships to foreign destinations as well as to eastern and Canadian mills via coastwise lines. In addition, it conserves the rail carriers' equipment, in which conservation the shipper, merchant and producer is vitally interested.

The above relates to the concentration and compression of cotton in the interior and before movement to the ports for concentration or direct to final destination.

With respect to port concentration, that which we have said (R. 3337) with reference to reducing the number of points at which cotton may be collected, bought and shipped applies to some extent to the warehousing of cotton at the ports. Interior concentration and warehousing is of benefit and protection to the producer, carrier, buyer and shipper. In other words, to the trade as a whole, including the cotton merchant and/or exporter at the ports. Firms or individuals handling a large volume of cotton during the

season and doing a general export business find it advantageous to make purchases in the interior and ship the cotton to warehouses at the ports where it would be quickly available for delivery to ships and where a large quantity of even running grades and/or staple would be more readily available for quick delivery to steamers taking cargo at such ports. The question naturally arises, what is the [fol. 673] carriers' benefit from concentration at the ports? The answer is, the movement of cotton from interior points of origin is in a large volume for a period of three months, the greater part of the production moving to warehouses for protection or to foreign and domestic buyers within a period of from 90 to 120 days, and at the same time as grain and other agricultural products are moving in large quantities.

As stated, the greater portion of the crop is delivered to the carriers for movement within 90 to 120 days, and warehouses and compresses would not be justified in providing (R. 3338) additional facilities to be used for such a short length of time and to remain more or less inactive for a long period awaiting movement of next season's crop. Therefore, those interested in assembling, handling and shipping cotton at and from the interior and at the ports have provided at the ports additional facilities for warehousing cotton. Some of these facilities are available to the public generally, and others are restricted in their use to cotton handling by and for account of the owners of the facilities. With such facilities established, the users of same go into the interior and purchase cotton, making shipments for warehousing at such port facilities, thereby relieving the interior facilities and preventing detention of carriers equipment by promptly releasing such equipment by unloading in the port warehouses.

From the above it is apparent that there is no distinct line drawn between the interior and the ports in the warehousing and concentration of cotton, nor in the purchasing and shipping of cotton. The interior man can and does use compress and warehouse facilities in the interior and at the ports. Likewise, the cotton shipper located at the ports can and does use facilities of the interior and of the ports.

After all, the cotton originates in the interior and the benefits received in the interior are passed to the port, and

likewise the benefits of handling at the ports are passed to the interior producer and seller. The operation is one of (R. 3339) co-ordination and co-operation as between the producer, the seller, the buyer and the carriers. If privately owned facilities were not provided in the interior and at the ports, unquestionably it would be necessary for the carriers to provide additional and very much increased [fol. 674] facilities in the interior and at the ports, which would require a very large outlay. This has been recognized by the carriers and they have consistently, for a long period of years, co-operated with the interior and port cotton interests in facilitating the economical merchandising and movement of cotton.

An inequality of rates as between the interior and the ports and between warehouses at the ports would prevent the proper functioning of the interior and port facilities to the cotton interests as a whole. There should be one rate charged. If there is any further transportation service that the carriers hold out to perform to effect shipside delivery from warehouses in which the port man would concentrate his cotton the carriers should absorb cost of same out of the one rate charged.

In other words, there should be no charge made should the interior man find it necessary to concentrate cotton, nor should there be any charge made if the port man finds it necessary to concentrate his cotton in order to effect delivery to shipside. By this we mean, that cotton which is concentrated in the interior, which is estimated to be 20 to (R. 3340) 25 per cent of the total movement, and which may be shipped to warehouses at the ports for local delivery, when moved to shipside at that same port no penalty should be attached, the carrier making delivery to shipside out of the rate. That, in my opinion, would draw a distinction between cotton moving into the port warehouses at the ports for concentration, regardless of whether it had been previously concentrated in the interior, and then delivered to shipside at the same port where the concentration was performed and cotton which was delivered to the carriers for a road haul from that point of concentration. Then, if the cotton has been previously concentrated in the interior, there should be a penalty. When cotton going to shipside takes a concentration at the port, I do not know that it is

necessary to designate that as a second concentration (R. 3341). But if cotton that has received one free concentration privilege in the interior is delivered to the carrier at the port for road haul movement to a destination beyond the port, for example, Houston to Galveston, or Houston to [fol. 675] southeast, Houston to New England or Pacific Coast, then a charge not exceeding 3½¢ per 100 pounds might properly be made.

In this way, all interests would be equalized 100 per cent and to this arrangement the interior interests would not object, since the interior participates in the benefits from the concentration at interior warehouses, and also benefits from facilities provided and privilege extended at the ports. Certainly there would be no objection consistently advanced by any one appearing for the port concentrator, regardless of whether on the waterfront or back from the waterfront, since witnesses appearing at the Houston proceeding for port concentrators so located complained of results of failure to provide for such delivery to shipside at the port where the cotton is warehoused.

My Exhibit A-127 is a copy of published tariffs issued by the compresses at Houston which do or may compete for the receiving, handling and storage of cotton (R. 3342). I prepared this exhibit, and it is correct to the best of my knowledge and belief. It does not show the charges assessed by the compress in which our company is interested at Houston. We do not handle any public business. These charges are assessed by the warehouse and compress companies holding themselves out to perform service for the public (R. 3343). The exhibit shows an item of charge of 60¢ for receiving, sorting by marks, incoming ranging, etc. It shows also a specific charge of 15¢ per bale for "ranging." Frequently a man calls for details of specific service. If a bale comes into the compress and the owner instructs us to do certain things, then, if those services are included in the so-called receiving charge, the bale would go into storage. But if he orders any special services, then the charges would attach as for the special services. In regard to flat cotton storage, if they have paid the 60¢ on the first item, they do not pay the 25¢ for the 30 day storage. The 25¢ would be assessed if it remained on hand after the expiration of the free term. That would be likewise true

of the recompressing compressed cotton to standard density with 7 bands (R. 3344). The first 60¢ is only for standard compression. If a man brought his flat bale of cotton to this compress in question, which is the Merchants' Com- [fol. 676] press Co., he would receive all of the services enumerated under that item, and later on, if he wanted high density compression, he would pay extra for the high density.

My Exhibit A-128 shows in parallel columns the port tariffs and the interior tariffs. The source of the information is a compilation of charges shown in port and interior compress tariffs. I prepared the exhibit, and it is true and correct to the best of my knowledge and belief (R. 3345). The purpose of the exhibit is to show the charges for receiving a bale of cotton at the port compresses and into the interior a bale of flat cotton. Factors' cotton on Exhibit A-127, is generally known as cotton shipped from the interior to firms at the ports or at some point, it may be an inland point as well as the port, who are agents for the shipper and who take the cotton and store it and dispose of it in accordance with the instructions. It is usually flat cotton. I see no difference between the factors' cotton shown on Exhibit A-127, and the flat cotton received at interior compresses on which they make handling and receiving charges. The port compresses generally make a charge of 5¢ a bale for receiving, incoming, ranging, sampling, furnishing sampling paper, tags, and delivering samples, with storage for the first month on factors' flat cotton. The Greenville press in the interior, for instance, would charge for a similar service as a first unit, (R. 3346) 25¢ for handling, sampling, tagging, and marking. At the port, in addition, for 5¢ per bale, they will deliver the samples of cotton to the Cotton Exchange uptown; the Merchants' Compress is not on the ship channel, but it is quite a distance up to the cotton exchange. They will make delivery of the samples and give them one month storage for 5¢ per bale. The interior compress would charge first, on the start, 25¢ for sampling, tagging, marking and receiving. In addition they charge 25¢ per month, or fractional part thereof, for storage, making 50¢, and the Greenville Press very likely would not send the samples uptown any great distance to the owner of the cotton. That means that the

interior cost is 50¢ as against 5¢ at the port for practically the same services (R. 3347). There is not as much service rendered at the interior for 50¢ on this factor cotton as is rendered at the port for 5¢. They say they furnish sample [fol. 677] paper and sample tags at the port. The sampling is included in the receiving charge. This exhibit is offered to show that it is less expensive for the shipper to have his concentration services performed at the port than at the interior compresses, which is contrary to the claim of the port compresses. Furthermore, the interior compresses are making a charge for these services performed for the shipper. The factor cotton referred to is flat cotton received at the Houston compress. I consider it comparable to the flat cotton received at the interior compress from their customers (R. 3348). My opinion is that the interior concentrator has a greater overhead burden in his interior concentration than the port concentrator. Furthermore, the interior compresses are making substantial profits for the services they perform for the interior concentrator. Furthermore, in connection with Exhibit A-127, when this flat cotton is received, it is subject to sale and transfer to a buyer, and the charges that are enumerated will attach to the bale after the cotton is shipped out. Special attention is called to the charge for receiving of factors' cotton. The cotton so described corresponds or is comparable with cotton received by interior compresses for warehousing.

From Exhibit A-128 it will be seen that the compress plants located on the waterfront, namely, Turning Basin Compress Co., Houston Compress Co., and Ship Channel Compress Co., who are, together with their operators, complainants in this proceeding, receive for the service of compressing standard density, marking and loading in cars ready for shipment 85¢ per bale, 83¢ per bale, and 86¢ per bale, respectively, with additional revenue per bale for the service of unloading, insurance, and topping, which is comparable with the revenue received by the interior compresses for more service on like cotton (R. 3349). What I wish to bring forward in this exhibit is that this item of 60¢, which they have testified is the charge for compressing cotton at the port, is subject to additional charges in their

tariffs for additional services which the interior compresses include in the 18¢ compression allowance. When it is stated that cotton can be compressed for 60¢ per bale, standard compression, the port compresses who set out in their tariffs the charge of 60¢ a bale for standard compres-
[fol. 678] sion do not include the services that are performed by the interior compresses in compressing flat cotton to standard density ready for shipment beyond the compress point, and to make up a comparison, it is necessary to add to the 60¢, as shown in the port compress tariffs, other items of charge that bring the revenues of the port compresses enumerated to 85¢ per bale, 83¢ per bale, and 86¢ per bale. They also have the additional revenue for topping. The 85, 83 and 86¢ would not include the insurance in their warehouse nor the unloading. According to the report of the Houston Cotton Exchange (R. 3350) there were 2,668,265 bales of cotton received at Houston in the season 1924-25, and 2,377,844 bales compressed at Houston, the greater per cent being high density compressed at the 11 compresses plants at Houston, or an average of 216,167 bales per plant, furnishing to each plant an average volume of 1800 bales per day, including Sunday, for 120 days or four months, or 1200 bales per day for 180 days, or six months, including Sundays.

Recompressing at the port of cotton arriving at the port already compressed is not because the bale is sampled or resampled at the port, nor does the compressed bale present any difficulties with respect to taking proper samples for classification purposes. One has only to take a trip along the wharf front where cotton is stored in the wharf sheds for loading on steamers or while cotton is being loaded on steamers to note the great per cent of cotton which has open sample holes.

Further confirmatory that recompressing is not necessary after the compressed bale is sampled at the port is the fact that considerable cotton arriving at the port uncompressed, or standard compressed, upon unloading and sampling, is immediately compressed to high density. A great per cent of this cotton, for example Texas Farm Bureau cotton, is offered for sale and is usually resampled before each transfer of ownership and is not recompressed before delivery to shipside. It would be impossible, without in-

curring the expense of recompressing (R. 3351), to have all cotton go forward with samples holes covered and the charge for recompressing makes such recompressing prohibitive.

Houston and Galveston are large spot markets, and ex- [fol. 679] cept where the port concentrator is almost an exclusive exporter, and for that reason is a buyer rather than a seller at the port, a majority of the cotton shipped to Houston and Galveston and stopped at warehouses is resampled at least once and sometimes two or three times, and although the bales so sampled have open sample holes, the bales would not be recompressed if there is sufficient of the original covering to carry the shipping marks on each flat side of the bale.

A port concentrator, who exports the cotton he warehouses at the port, and does not engage in spot selling to any great extent, could recompress to high density cotton arriving for his account after it has been sampled for classification, but in our opinion even the exclusive exporter would not do this if there was not a lower rate for density compressed cotton than there is for standard compressed cotton.

As copies of interior compress tariffs have been placed in the record at the request of the complainants in this re-opened proceeding, we assume it will be satisfactory to quote from various interior compress tariffs to show the first month's cost attaching to a bale of soft or uncompressed cotton received at interior compresses, and which total charges (R. 3352) should be compared with the charges previously shown as assessed by the Houston compresses for receiving uncompressed cotton. That was the purpose of Exhibit A-128. That has already been explained, and I don't think any further explanation is necessary unless someone wishes some further explanation.

I became connected with George H. McFadden & Brothers Agency in 1918. One of my duties has been to check the compress bills for services rendered by the various compresses in the state in connection with shipments of cotton in which we were interested. I have found the compress companies consistently collecting the charges on basis of their published tariffs.

The interior compress charges shown in Exhibit A-128 are representative. There may be a few compress com-

panies whose total charges will be less than the above average, but this is brought about by local conditions.

Analyzing the situation from my 33 years experience in [fol. 680] transportation matters, the greater portion of which has been devoted to specializing in the transportation and economical handling of cotton, both from the standpoint of the carriers and the cotton merchant, in my opinion the carriers are greatly benefited by reason of privately operated facilities for assembling and compressing of cotton as now established in the cotton producing area (R. 3353). Further, in my opinion it would be impossible for the carriers, except at a greater cost, to duplicate and operate with the same results those facilities.

Concentration and compression is a commercial necessity. This is sustained after numerous investigations made by the Interstate Commerce Commission and by the state commissions in the cotton producing territory.

Further, cotton cannot be satisfactorily produced, assembled, marketed and moved to final destination without adequate concentration and compression arrangements at convenient points within the area of production. The elimination or reduction in such facilities and cancellation or penalization of concentration and warehouse privileges would prevent the proper and orderly merchandising and shipment of cotton and force a disordered and uneconomical movement to the ports to the disadvantage of the grower as well as to the interior and port cotton merchants, and result in congestion of facilities at the ports and the tying up of railroad equipment, which would result in great loss to the transportation companies and to the general shipping public.

McFadden concentrate their cotton back of the waterfront at Houston and Galveston and purchase some previously concentrated cotton in the interior. Since I have been connected with the McFadden Agency, I have watched the situation very closely, and when we buy cotton, I follow it up to see if it is possible that the cotton could avoid [fol. 681] the second concentration privilege at the port, on account of the previous concentration at the interior, and from the concentration claims filed with the carriers for refund of overcharges on shipments made from concentration points, it is my best approximation that no more

than 15% or 20% of the McFadden cotton has a second concentration at the port. If a charge is made for second concentration when the one rate plan is established, we would be penalized to the extent of that charge on all cotton which had been previously concentrated in the interior (R. 3355). Regardless of that penalty, I am testifying in this proceeding for the one rate plan, because it is apparent that under the two rate plan, we are now penalized 100% on the cotton we concentrate at warehouses back of the water front. If the one rate plan relieves us of that penalty to the extent of 80% or 85%, we are much better off than we are at the present time under the two rate plan. That would be true of any of the back of the water front concentrators, in my opinion. There has been a recent announcement in Houston that additional shipside facilities will be constructed on the ship channel. The extent of those proposed facilities is somewhat doubtful. I have no personal information; the only information I have is as the reports appear in the newspapers, that an additional shipside facility would be established at Manchester, which is within the switching limits and port limits of the port of Houston. (R. 3356). The announcement stated that the investment to be put into those facilities, was variously reported from $3,500,000 to $5,000,00-.00 and that the facilities were to be constructed on the ship channel and to be shipside facilities. Mr. J. K. Dorrance is President of the Houston Cotton Exchange at the present time. I think that he, being a Director and Officer of the Exchange, would have a great deal of influence with reference to the policy of the Houston Cotton Exchange with reference to matters of traffic and transportation. K. E. Womack is also a Director of the Houston Cotton Exchange under recent election, and is Chairman of the Freight Traffic Committee. (R. 3357). As such, he should ordinarily be in a position to control the policies. Whether he does or not I am unable to say. Both Mr. Womack and Mr. Dorrance are engaged in the cotton business at Houston; I do know where they concentrate their cotton at the present time; they concentrate [fol. 682] back of the water front. According to the newspapers, they were announced as being interested in the new warehouse. In regard to any testimony in this record, with reference to the difficulty under the one rate plan because

of the fact that they have 17 railroads in Houston, and that cotton may move in over all 17 of these railroads, and would have to move out in a like manner, and could not be switched, the facts are that a man would not be presented with any difficulty in delivering his cotton back to the carrier for delivery at shipside, regardless of quantity. In my opinion, it would be absolutely silly for the carrier not to restore the reciprocal switching arrangement for the switching of cotton at Houston (R. 3359). The reciprocal switching privilege was at one time in effect at Houston; it was cancelled, as I understand, because it was not used. It was not used at Houston because generally the man handling cotton would not resort to the concentration claim, and therefore, there was no necessity for the reciprocal arrangement unless the concentration privilege was exercised. The proposed one rate plan, would not affect the rate on cotton moving to a cotton mill, which would move on the cotton mill rate, which is a special rate. If the cotton, however, was concentrated and re-shipped to a cotton mill beyond the point of concentration, the normal cotton rates would apply. In that case, there would be an increase in the rate if the normal rates were applied (R. 3360). The carriers' privileges under the out of line service, and back haul has generally grown up as a result of the efforts of the carriers to increase their business, and from competitive conditions. I do not know of any changed conditions that have taken place since the original hearing in this case. We are still paying 3½¢ and 3¢ to get our cotton from back of the water front to the shipside as against the water front plant, which gets a lower rate than we do, and that condition has not changed. I do not know of any transportation reason, why there should be a difference between the export and the domestic rate of the Texas ports, exclusive of wharfage (R. 3361). On a car of cotton moving from Dallas to Houston, to the Houston Long Reach Plant, on a bill of lading marked "for export" on which a rate of 83½¢ would be applied, and another car of cotton moving from the same point and moving to the same facility at Houston, on which an 80¢ [fol. 683] rate would be applied, I do not see any advantage that man has by his location in the application of those two rates. Substantially the same services are employed; there is no substantial difference in the services in de-

livering the car for which the higher rate is paid and the one upon which the lower rate is applied. I would make the same answer with reference to the other shipside facilities, such as Alexander, Sprunt & Son, and the other shipside channel compresses (R. 3362).

I can identify Exhibit A-129 as pictures of the facilities of Alexander Sprunt, the Turning Basin Compress, and the Houston Compress Company. The two views in the middle are of the Turning Basin Compress Company on the channel at Houston, the Turning Basin Company is Weatherford, Crump & Company. The second is the public wharf site, from which the ships receive coton handled through the Turning Basin Compress (R. 3363). The bottom picture on Exhibit A-129 is a view of the Long Reach Turning Basin Plant. The large number of cars spotted back of that plant represent the railroads classification and break-up yard. That is Booth Yard.

My firm reships fairly large quantities of cotton from our warehouse at Galveston and Houston to the domestic mills in the southeast, and to New England Mill territory. We do not re-compress that cotton at Galveston and Houston, unless the bales are in bad order, which is exceptional. If, as a result of this case, the railroads should be permitted to increase their domestic rates on cotton to the ports, say 3½¢ per 100 pounds, for the sake of argument, and reduce their export rates a certain figure, to make a one-rate plan, that would not, in my opinion, cause the purchaser of cotton to reduce the price which he is now paying the producer of cotton (R. 3364).

The term "factors" cotton is an old name attached to [fol. 684] cotton which is forwarded from the interior to parties located at some point who were called factors, who handled the cotton for account of the owner. Factors cotton is not ordinarily compressed in transit; it usually moves in flat. It is my understanding that the term "Buyers' Cotton," which is a localism, is cotton that is shipped in for patrons of the press other than these factors, bringing it in for the purpose of merchandising and handling in it. It is not always flat cotton. The tariff says "Buyers' Cotton" and means all of these charges are attached to the so-called patrons of the press. That is all one item, just flat cotton. It is not restricted to Buyers' Cotton and

linters, but they do make a distinction in the charges on Buyers' Cotton. That receiving, incoming, ranging, sampling, etc., applies on the factors' cotton, and the factors' cotton, as I stated, usually moves in uncompressed. Then the tariff goes on with a description of services on Buyers' Cotton and Linters. Under the heading of flat cotton is an item of compressing to standard density with seven bands. That means cotton that is moving into the port and a facility flat. I do not think there is any substantial compression of flat cotton at the port to standard density to be later compressed to high density. If a man wanted to ship cotton, the southeast or the New England Mills, and the mills would not take high density compressed cotton, he would have (R. 3366) it standard compressed, because it is cheaper; but you will have to take this tariff and analyze it as a whole, because when cotton gets in it is rather a peculiar situation with respect to merchandising, especially at the ports. It is usually brought in and what is called ranged, or arranged. The arrangement means to lay it down so samples can be taken. Some compresses will allow two lay days. That means the cotton will lay where it is ranged, where a man can inspect it, for two days without penalty. If that cotton remains there longer than the specified time, there are certain penalties attached, [fol. 685] and all through the tariff, one must go through and enumerate just what one wants done with a bale of cotton delivered to these presses, just the same as at the interior, to get at the total charges, and for that reason, to simplify the matter, I drew these comparisons.

I think the one-rate plan would be beneficial to the producer, because it puts everybody on an equal basis. It is best for the business as a whole. I do not think the industry should suffer for any one man. We might find one man would be benefitted by not operating as another man does, but the one-rate plan, in my opinion, is in favor of the producer and also the merchants, the interior men and the port men. I do not mean that it gives the producer a preference over anybody else, but that, taking it as a whole, the industry as a whole is benefitted in my opinion, under it. I think that the producer should be given quite a little consideration. I think everything should be done for the marketing and protection of his crop, and the financ-

ing of it, and I think that is all interwoven in this case. The competition in markets being permitted to compete with each other on an equality of freight rates, would be of benefit to the producer (R. 3368).

Under the arrangement between the interior compresses and the carriers, the interior compresses have to guarantee their compression, and if a bale of standard compress cotton arrived at the port with a burst band, they would have to pay a part of all of the expense of recompression (R. 3369). If the port man compressed a bale of cotton to standard density, and before it moved out a band broke, they would charge for recompression if he had to have it recompressed; but I am in no position to say whether or not, if that band was discovered off of the bale before the bale left the facility, the compress would put it in good order, because at the water side, they would catch the bad order and order it repaired. If a band broke between Dal- [fol. 686] las and Houston, and it became necessary to recompress that cotton, the port compressor would assess this 60¢ recompression charge. In such case, the interior compressor, under his arrangement with the railroad company, would have to pay it, or a portion of it. There is one arrangement whereby they participate with the carriers, and there is another where the density is not secured the compress pays it all (R. 3370). I am not familiar with the compression contracts that are in existence in Arkansas.

Exhibit A-120 shows that under the one-rate plan the water front concentrator would still have an advantage of 5¼¢ per bale, where the water front plant does not exercise its privilege of concentration. He does not have to exercise it; if he wants to make delivery at shipside without resort to concentration, he does not file a concentration claim, therefore the 1¢ per 100 pounds unloading allowance applies. Five cents advantage is just that much. Whether it is (R. 3371) going to be material to the extent that the other operators cannot operate, I cannot say. Under examples 3 and 4 of the exhibit, where I show topping 20 bales at 10¢ per bale, 2.7¢, that means that I have apportioned the 10¢ charge over the whole number of bales in the car.

Under the present arrangement, the water front man has 5¼¢ per bale advantage, and in addition 18¢ per bale

advantage over the interior man, but not over the back of the waterfront man. The cotton now bears the burden of whatever the charges are. The more you equalize the important factors engaged in the marketing and consumption of cotton the better you make it for the men who produce it as well as the men who market it and handle it. Any inequality must necessarily be reflected in giving one man or set of men or operators an advantage over another, and to that extent it would have a tendency to drive competition out and whenever you do that you have vitally affected the producer. You affect him more than anybody I know of in the whole transaction. It is our contention in asking for the one-rate plan, that even if it should develop that [fol. 687] it would be necessary to increase the intra-state domestic rate slightly, the producer would profit by the preservation of the widest sort of competition (R. 3374). When this cotton is handled, the Texas crop is practically an export crop, and the man buying that cotton figures that cotton against going to the shipside, and he takes into consideration what it costs him. The Texas Commission rate of 80¢ has a jump of 3½¢ to get to the shipside today. I think that today all buyers buying cotton in the interior of Texas take into consideration the freight rate (R. 3375). The buyer having his cotton concentrated at the shipside facilities today might, if competition forces him to, pay the man a little bit better price than the man who knows he will have to pay an 83½¢ rate. Any situation might exist. On the other hand, the man paying the 83½¢ rate, at a disadvantage of 3½¢, might need cotton so badly that he would pay 5¢ more than another man. There is no fixed rule. The situation that confronts us is a situation where one factor has a distinct and very apparent advantage over the other (R. 3376). There are through rates from Texas to the southeastern mills. If we increase the domestic rates from Texas point to Houston and Galveston, from 80¢ to 82¢ or 83¢, that would not have any effect in increasing the rate to the New England Mills, nor to the Pacific Coast, where there are through rates published from point of origin to final destination. It would not affect or increase the export rate. It would reduce the cost to the farmer to get to shipside (R. 3377).

Cross-examination:

I remember there were some compresses located at Galveston and Texas City that did high density compression. I am unable to tell what time they were established (R. 3378). I suppose that competition caused the port compresses to reduce their charges so as to include the expense of handling to the ship's berth. We would pay the Kempner Compress at Galveston the charge of 75¢ for high densitying and moving the cotton to shipside. Whether the [fol. 688] interior shipper utilizing Kempner's press would get to shipside at a total less aggregate cost than he would if he paid the through export rate depends upon what it costs him to get the cotton from Kempner's press to shipside. It would not make any difference what a man charged for compression, so far as the relation as between two men located at the port is concerned, so long as there is a cost that must be paid by one man which is in excess of the cost paid by the other. If a man ships his cotton direct from the point of origin in the interior without concentrating it he cannot put it on shipside for export until he has merchandised it; it would have to go through the process of assembling grading, and putting into even running lots, in order to comply with a sale to a consumer of an even running lot of cotton. It would not generally be necessary for a man to do that more than once to get even running grades. I should think that my company uses a much larger number of grades than the small merchant in the interior (R. 3382). The cotton itself might need a second merchandising service. I would say ordinarily that on account of engaging in the southeastern and New England Mill business, it would be my impression that the cotton would not be high density compressed immediately when it is received at our warehouse in Houston. I understand that the Farm Bureau cotton received at the Houston Fifth Ward Plant is high density compressed on arrival (R. 3384). We never re-compress cotton at our Houston Compress, which has already been compressed to standard density and is going to the southeastern mills (R. 3384). When the cotton is shipped in to Houston, we do not necessarily know whether it is going to the southeast or abroad, or where it is going. I should think that is also true of our plant at Galveston. It is not necessarily true of every party concentrating in

Texas, because there are some operators who do a very large export business. If they are doing an export business I don't think they would know against which contract it may be applied nor where it may go. We have two plants [fol. 689] at Houston; one plant probably could be made to handle between 16,000 and 20,000 bales; the other is limited to 10,000 bales. There is compression at only one of them, the larger one (R. 3386). It is, or was, the property of the International Great Northern. The Compress facilities are the property of our company. We pay an agreed rental. I do not know the amount. I found the facility available, and I think I conducted or participated in the negotiations for the acquisition of that property by lease (R. 3387). We have looked over several plants on the water front. Among them the Shippers' Compress Clinton Plant, the Magnolia Compress Plant, and various sites that might be on the water front which have been offered to us from time to time. We considered going to the waterfront because we were following the policy of any merchant engaged in business who expects to expand and increase his business. Our business has at times been excess of the capacity of our plant, and we have had to employ the facilities of publicly operated plants at Houston and Galveston and for that reason we would keep our eyes open at all times to see if additional storage space could be provided for the operation of our business. If we were considering where to locate an additional plant, we would locate back of the water front, because I think it is absolutely illogical to locate a compress and a shipside facility on the water front. Unless a man has tremendous volume of business and can control competitive traffic to such an extent that he can force a situation that is uneconomical, he cannot operate such a plant to the best advantage, and the increased expense of locating there is not justified and not necessary to be put upon the traffic. If that plant affords him an advantage in a way which does not involve a preference over some other man in the matter of transportation charges, he would be justified in figuring his cost as against what he expected to be his compensation. I can realize from my own experience that a man going down on the water front, just as these Manchester people are now doing, must have an im- [fol. 690] mense storage, space, so that they may have available sufficient cotton to cause the Steamships operating in

the port of Houston to come to the cotton instead of the cotton going to the ship (R. 3389). That can be done only where there is a large volume which means an expenditure of a large sum of money, not only for the storage of cotton but for the facilities for the delivery to the ship. Taking all of that into consideration, a man coming to Houston, unless he wants to be so large in his operations that he can afford to desregard a great many things that must be taken into consideration by the average cotton man, would select a location such as we are now operating where he would be able to operate at a lesser cost than if he went to the water front. I mean lesser cost in investment. It just depends upon how efficiently a man operates his plant as to whether there is a less cost of operation, taking into consideration the things which are chargeable to it. I do not undertake to say that a man located back of the waterfront is better located as to all things than a man on the waterfront in the handling of cotton (R. 3390). Irrespective of the transportation differences in the location of the plant, I would select the back of the water front, and even under the pending case, I would select that location, believing that this situation cannot exist as it is today where a man located on the water front in the same switching community, can have a preference in the rate over a man located in that same community. If there were one rate to all facilities in Houston, regardless of where we put the plant, so far as the railroad rate is concerned, and we were expecting to engage in a large amount of export business whether we would put the plant back of the water front or at the water front would depend entirely on whether we had the volume of business (R. 3391). The volume of business, the cost of investment, the method of operation, whether you expected to operate a wharf company and berth ship, and take custody of ships, etc., all those things would have to be considered. There is at the present time supposedly a [fol. 691] minimum quantity of cotton shipped from one berthing place to another; that quantity is chargeable. They will always have some requirements, but they might finally find it is too expensive, and decide to have the cotton come to the ship at a regular point and each berth would probably have to be restricted to one port (R. 3392). The requirements might change and they might decide they

would not shift for any quantity except a full cargo. I think the man who goes to the water front takes a great many chances; a man takes chances whatever he may do. You would naturally take into consideration the cost of delivery from a back of the water front plant. I am in favor of the one rate plan for delivery to shipside (R. 3393). The one rate plan contemplates delivery to shipside (R. 3394). Under the one rate plan the railroad will collect 83¢ to our International Great Northern shed and 83¢ to the Houston Compress Company. If the railroad refunds me 3.5 cents because I select some other means of conveyance, to reach shipside, I do not understand that the railroad has collected 79.5 net from me and 83 cents from the shipside plant, and even if that were so, there would not be two rates. The railroad would get 83¢. They do not rebate anything. I pay an additional amount, and they refund that amount because it is in excess of the through rate, and that is universal in all concentration (R. 3395). We are not talking about net revenue to the carriers; one familiar with rate construction would never figure rates constructed along that line. The carriers do not take net revenue into consideration when they bring cotton from the interior out to the Congress Street Yard, and (R. 3396) charge 83¢ and then take it to the Houston Compress Company five miles farther and charge 83¢. I think they ought to deliver it all in that entire district for 83½¢. I think the 83¢ rate ought to apply to the man for a short haul as well as a long haul. I advocate that they refund to me the amount which I paid them that it cost me to get down to the shipside. When the initial shipments come in, I pay a charge which is the shipside rate. If I sent that cotton [fol. 692] down to shipside, I pay an additional amount over that original amount, and that is the amount that is refunded to me, and not rebated me nor paid me (R. 3397). Under the one rate plan, if the carriers take the cotton to Anderson Clayton, they are through with it; the movement to our plant is shorter than the movement to the Houston Long Reach Plant. They have no additional move to make. The same car of cotton, as shown in my testimony, coming in on the International Great Northern, these industries being located on the International & Great Northern, was

(R. 3398) put in this Congress Street Yard, taken to our plant, and the car going to the Houston Compress Company goes out by another engine and is put in another Yard and classified there and put into their plant. The haul into Houston, to any of the back of the water front facilities could not involve as much mileage as the haul to the shipside facility because you would have to have a situation where there was another line involved, another location on another line (R. 3400). After a shipment is delivered to the Long Reach Plant, it can be transferred there and switched subsequently to another wharf (R. 3403). The tariffs before the Commission authorize such service. Such service does not differ from stopping it back of the water front and transferring it there and shipping it on. There may come a time when the Anderson, Clayton & Company, or the Houston Compress Company, will be glad to have the privilege of concentrating cotton in their plant and re-shipping it to Galveston. There may be a shortage of good grades and the transit may have to be exercised to get the cotton to Galveston or some other port (R. 3404). The man back of the water front, or the water front man at Houston can send that cotton to Galveston, either under the present situation or under he one rate plan, and the rate would be the same for both (R. 3405). If the one rate plan is established and approved, that rate will be the shipside rate, and will carry the cotton to shipside under the (R. 3408) concentration [fol. 693] rules. If cotton goes into a plant near the water side, but which is not adjacent to ship's berth, and is subsequently moved to shipside, the transportation cost should be taken care of by the carrier. I do not mean intra-plant service (R. 3409). The carriers obligation is to move the cotton to shipside, and I will not say that they must hire a man and a track, or a mule, or a barge, or a dray or anything else. I do not mean to say that I advocate one rate which will take care of the cost of moving the cotton from the warehouse to the shipside by whatever conveyance may be employed. I do not say that I oppose it or favor it. I say the rate should include the cost of transportation to shipside. I did not say "by whatever means they may employ." It has been testified that the carrier has no right to come into the water front plant and pick up a bale of cotton; now if the water front people take that cotton and put it into

cars (R. 3410) you have a loading charge or expense, and you turn it back to the carrier loaded in cars, the same as the back from the water front. Up to that point you have not incurred any more transportation expense, but you have incurred an intra-plant expense the same as we have in putting it into the car. If they cannot get it over to Alexander Sprunt, they should, with the other railroads, refund your money, but I am not going down there and tell you that right along here is the line, or that this charge of a fraction of a cent per bale should be refunded to the Houston Compress Company, that it represents more service, or anything like that, because I am not prepared to testify to that. But as a general proposition, none of your intra-plant services should be taken care of by the carriers. If there is any transportation expense in getting it from the warehouse to the ship's berth, and if it is delivered to the carrier, they should take care of it. It is not a fact that we want to put the shipside operator at a disadvantage as contrasted with our facilities that we have leased from the railroad (R. 3411). Where the Houston Compress [fol. 694] Company builds a trolley line and trolleys the cotton from the warehouse around to a point on the wharf, I would not say whether that cost of operation should be refunded. I am not an efficiency man, and I don't know whether that is the proper way to handle cotton. If there is a necessary transportation service performed it should be refunded. I am not saying how the carriers should transport the cotton to shipside (R. 3413). I cannot answer the question whether or not my companies have the heaviest interior interests in compresses to any firm in the territory. They have some concentration plants east of the river but I don't know what their interests are in them, if any. We handled about 200,000 bales in the Houston warehouse in the Season 1924-25; for the present season it is somewhere between 175,000 and 200,000 bales. Very little of that cotton is again handled at our Galveston warehouses (R. 3415). I should say that the Galveston warehouse handles as much as the Houston warehouse, if not more. We have a substantial movement of export cotton through the port of Houston. We do not deny that Houston is a port and has facilities there, and we intend to use these

facilities, and we intend to export cotton through (R. 3416) those facilities. I do not know that my company handles a larger proportion of cotton all rail out of Houston and Galveston than most of the cotton firms there (R. 3417). We move the cotton from our Houston warehouses to the ship by car. I have made numerous inquiries through the traffic department of the Houston Cotton Exchange, and all of my inquiries have indicated that the drayage charge would run around 50¢ per bale. Mr. Dalzell answered that drayage could be obtained, but I have not been able to confirm that at a figure that would enable us to use the dray service. Therefore, since we are not on the water front at our Harrisburg Plant, and have no facilities for unloading on barges at the other plant, we use the car or switch service. Ido not know whether we could equip the other plant so as to load barges. There is a barge service at Houston, [fol. 695] and apparently it is in very good hands (R. 3418). I think the plant is near enough to the barge line, but I don't know whether the barge people would like to come up that for or not. I am inclined to think that if the business was offered they would be willing to do it. The cost would be the first thing that we consider, but we want to cooperate with the carriers. I think we endeavor to get 100 bales loaded in a car. We consider that the maximum loading, and it takes a good deal of time to get it in (R. 3419). There is no requirement that we load the cars out of our plant to any given number of bales per car (R. 3420). We do exercise the option of declaring cotton for export and having carriers deliver it to shipside or deliver it ourselves, and make a claim on some coastwise business. The concentrator does exercise that privilege to get his cotton delivered and obtain the protection of the through rate. If there were a one rate plan, there would be a claim filed in practically all cases. There should be. However, at New Orleans, I understand that while there is a one rate from a great many points, some of the people over there do not file claim. I do not know whether the rates from Oklahoma and North Texas to New Orleans for export are rates which were made originally to equalize with the export rates to Galveston (R. 3421). I would not attempt to

describe the policy of the Texas & Pacific Railroad at the time I was connected with it. I have been at several meetings where they were talking of putting an 85½¢ rate, but I would not attempt to describe it. At the time that went in, it is my recollection, that it was a one rate to the port. The urge of the Texas & Pacific to put the 85½¢ rate in at New Orleans to equalize the export rate, including the wharfage, at Houston and Galveston, was to hold the cotton to their own lines (R. 3422). I would not say that practically al- of the 30,000 bales handled this season into Houston by wagon or truck, originated in Harris County. I have had a good many people say they bring it in for long dis- [fol. 696] tances, but I could not verify that (R. 3423). Ports bill of lading, being the most desirable, because it is negotiable, identifies the cotton with a specific steamer and the owner can reasonably expect arrival promptly (R. 3426). The custody bill of lading is not so valuable, and is not so readily acceptable, as I understand it, by the foreign buyer. The through bill of lading was discarded a great deal in the time of the congestion of 1906 and 1907, when cotton was allowed to remain tied up and port cotton was given preference by the steamers, causing delay, and a man did not know when to expect his cotton. The Liverpool bill of lading conference was held in 1907 at Dallas, its purpose being to consolidate them so that all concerned could move their cotton out and the consignee on the other side would be reasonably protected. I think the validation feature came about from a desire to let the man on the other side feel that he had a real, honest to goodness document. I don't think they would have as many occasions to request validation under normal conditions as there might have been following the 1907 season. I do not think the interior shipper is greatly benefited by the free time on the wharf. He has to physically transit his cotton to shipside on a document that is taking it through to final destination, and after that bill of lading is issued it means that he must assemble his cotton, deliver it to the carrier, and it passes out of his possession sooner than it does with the port man. I can think of times when cotton would be worth more today than five days from now, and it really might work a hardship. I do not think the privilege at the port, the free

time on the wharf and such as that, is the shipper's concern. He wants reasonable dispatch. If there were detention and demurrage should accrue in the absence of an agreement with a steamship agent to take care of the demurrage the shipper would not have to take care of it because it is at an intermediate point between origin and destination and demurrage could not be assessed. I do not recall any clause in the through export bill of lading prescribed by the Interstate Commerce Commission which provides that the owner [fol. 697] may be taxed with demurrage or detention at the port. It seems unreasonable to me to have it there (R. 3430). I imagine that cotton coming in on the Southern Pacific would be handled in their Englewood Yard, and after they break their train up and classify the load they would bring them down on a transfer to the International Great Northern at Hardy Street, and would deliver those cars (R. 3431) on the transfer to the International Great Northern, mixed up with every sort of a load going every where and the loads from the Hardy Street Track would be brought into the Congress Street Yard, and mixed up with other cars going to Long Reach, and incidentally, what might be put into McFadden's would be put in there, and then they would be hauled on out over the International Great Northern. I do not know that it would be handled that way (R. 3432). I am not familiar with the Oklahoma system of concentration. The charge of 5¢ made by the Merchants' Compress Company on factors cotton, as shown on Exhibit #A-127 does not cover the cost of getting the cotton out. The Tariff shows a charge of 60¢ for shipping out flat cotton, and a 60¢ charge if they compress it to standard density, and a 75¢ charge if they compress it to high density. If he is going to ship it out compressed, he takes additional services over those enumerated in this item, and he would have to pay for them (R. 3436). In the case of the Exporters' Compress Co., the charge is 10¢ and in addition thereto, charges for whatever services he might employ. The point I am making on this Exhibit is that the charges for receiving cotton, comparable with the cotton received in the interior, is 5¢ at the ports, and the charges as shown in the interior tariff. The charge for shipping flat cotton out of an interior facility is the same.

The compress, after they get the cotton in there, does not want the man to take it out uncompressed (R. 3437). I deliver to any of these compresses 100 bales of cotton to store for me, and I order it out. They charge me 10¢ for shipping by rail. If I store that cotton with them uncompressed, and I do not order it compressed, when I ship it out, they charge me the flat 60¢ rate. I would not say that the shipping out flat covers the case where they do not get the compression, and that the shipping out by rail, or by [fol. 698] dray or by barge, at 10¢ per bale, is where they do get the compression; because the cotton can come in and be stored compressed. If I acquire cotton that came in to the factors, then I have got to get it out. I have gotten a little grayer than I was when I went to Houston trying to find out just where these charges begin and where they stop. Whether it is going to cost you more than 5¢ before you get through with it, depends on what you do with the cotton. The charges I was talking about in my statement are receiving charges, the service of receiving cotton and getting it into storage. I think the owners of the Merchants Compress Company are factors and use the facility a great deal, but they also do a public business for other people. They have offered us their facilities, not for a factorage business, but for handling cotton in the usual way. I do not understand that W. D. Stevens & Company is the only firm that handles factorage cotton. I do not know whether factorage is handled by W. D. Stevens or not, but there is a printed tariff. I do not know what firms do business at the Exporters Company. They have a tariff for services for handling factors cotton at those rates (R. 3440). I do not know whether the 5¢ covers the cost of those services; I know nothing further than the tariff and the exhibit (R. 3441). I do not know the difference between handling factors' cotton and the other cotton. I have not been down there very much. Referring to Exhibit A-124, I did not intend to leave the impression that the four days free time given under this item 19 is applied on cotton held in cars at the warehouse facilities. I do not know. I think they charge a regular demurrage scale on that. This applies only to the cotton unloaded on carriers' facilities (R. 3442). I do not know about the charge on cars un-

loaded. I do not know what proportion of the cotton coming into New Orleans is unloaded into the carriers' facilities as compared to the total. I do not know that the great bulk of the cotton goes to the warehouse. When I was connected with the Texas & Pacific, in a busy season, we were hard put to it to get to unload molasses and every other commodity at New Orleans, but I do not know what the capacity of the railroad facilities there are today. I do not think that these railroad facilities are used mainly for holding cotton that the carrier unloads to release the equipment because the shipper failed to surrender his bill [fol. 699] of lading and get delivery within the specified time (R. 3443). I do not contend that this seven days free time is applied against export cotton moving on through export bills of lading. The bulk of McFadden's cotton is concentrated at the ports of Houston and Galveston, so far as I am concerned (R. 3444). We concentrate more cotton at Houston and Galveston than in the interior. I do not know about New Orleans. I don't know whether we concentrate any cotton to speak of at New Orleans.

I think the cotton handled at the ports is assembled for the purpose, largely, of moving it down to the shipside, and I say that if the cotton is concentrated and reshipped where there is a line haul, or road haul involved, that should be paid for if it has been previously concentrated. But I think the carriers very properly should put that cotton down to shipside for delivery to the ship, or for delivery at a point where concentration is taken. If there is a road haul or line haul involved from the point of concentration, a second concentration should be paid for on cotton to New England, the Pacific Coast and the Southeast. There would not necessarily be a line haul to the Pacific Coast, because you have coastwise lines out of Houston and Galveston. There is a road haul from Houston to Galveston, and I think that ought to be paid for (R. 3446). On cotton that goes to shipside for export at Houston and coastwise at Houston and Galveston, I think there should be no charge for that. It would naturally follow that if a road haul, or road service was accorded, there should be a charge for second concentration in the interior, if a charge is continued by the carriers for handling cotton that had been previously concentrated, and our interior friends think,

they say, the arrangement at the port would be a benefit to them, and they would not object to it and they would not feel that they would be discriminated against if that is being done (R. 3447). I could not guarantee that, but I think they are serious when they say that. I do not care [fol. 700] to give information as to the number of bales that our firms have put on board ship at Houston and Galveston during this season, and in the preceding seasons (R. 3454). We have a decided interest if it is 1 bale or 100,000 bales, or 500,000 bales. I will say that we have a substantial movement through Houston and through Galveston (R. 3455). The movement from interior concentrators is in substantially larger quantities than from non-concentrating points. I could not say that the minimum loaded at these concentrating points would be an average of 75 bales. That would be just a wild guess.

Redirect examination:

On Exhibit A-127, referring to the Exporters Conpress and Warehouse Co.'s tariff on factors cotton, I don't know of any discrimination between flat cotton and compressed cotton (R. 3456). The first incoming charge for receiving a bale of flat cotton under the Exporters' Tariff would be 10¢, with storage free for 30 days. If the cotton is compressed, there would be an additional 60¢ for standard density, with seven bands. That is a total of 70¢ (R. 3457). He cannot get it out for that 70¢. There would be a charge for an extra band, if he takes over seven. That would be 5¢ at the Exporters'. If he shipped out by rail, there would be a charge of 10¢. That would be a total of 92¢ revenue, they would get. The markings would come in, and that would be for one side 3¢, and for two sides 5¢ (R. 3458). This would make 97¢ revenue for a standard bale of cotton. I don't believe the Exporters would charge for sewing the heads in connection with standard compressed cotton. Loading, topping, and insurance are not included in that. That is the point I made, that in my opinion, instead of the charge being 60¢ for standard compression at the ports, the charges for the services comparable with the services performed by the interior compresses for 18¢ per 100 pounds, would bring the charge much beyond 60¢. The charge of 10¢ per bale for topping in the Exporters

[fol. 701] Compress and Warehouse Company's tariff is the normal charge for topping (R. 3459). On Exhibit A-124, the New Orleans Emerson Tariff, page 1, Section 3, the carrier is obligated to unload cotton on its facilities. There is no obligation to provide storage or handling service beyond the reasonable limits of their properties and facilities. That would imply a restricted application to unload on their facilities. I do not know whether they actually perform the service of unloading.

Recross-examination:

On the Exporters' Tariff, the item "receiving flat cotton" does not include the matter of receiving cotton (R. 3460). These items are made to cover specific services. We may have some cotton in the Exporters' compress that I bought uncompressed, which had been received for account of another party, and if I want that cotton standard compressed the charge would be 60¢. No receiving nor any of these other items is included. However, under certain conditions, if I bring a bale into the compress under that item, they would receive it and do certain things to it, and there are certain other obligations about tagging it, and laydays, and such things as that (R. 3461). They will receive flat cotton for standard compression for 60¢ as part of the service of compression, under that tariff, and compress it to standard density with 7 bands. Cotton is usually compressed in the interior with 8 bands. I do not know whether 7 bands would carry it to the Atlantics or not. The railroad tariff does not say anything about bands. The compress man puts on the number necessary to make the required density. There would no doubt be more cost than 60¢ (R. 3462). There is also marking and these other things.

WITNESS H. M. BENNETT

I live at Little Rock, Arkansas; I am primarily a cotton merchant; I have various lines of business (R. 3464). I [fol. 702] have been in the cotton business 33 years. I have lived in Arkansas 60 years, lacking a few months. I am connected with the Lesser Goldman Cotton Co. Aside

from the cotton business for a number of years, I was Secretary of the Arkansas Fertilizer Co. I am now Vice-President of that Company. I have had a great deal to do with agriculture in the State. Our Company has a great many investments in the State, and I am State Agent as well as Manager of their Little Rock cotton business. I have also held positions of Director and Vice-President, etc. in different compress companies, and have always been very largely interested in compress matters, taking more or less supervision over compress matters. I am executive director of the American Southern Trust Co., the largest bank in Little Rock. That is not an affiliated business. They have no interest in it. I am President of the Arkansas Cotton Trade Association, for which Mr. Turner spoke the other day (R. 3465). I am also Treasurer and Director of the American Cotton Shipping Association, a combination of all of the cotton exchanges in the State. The bank with which I am connected engages in the financing of cotton. I cannot tell the exact percentage of the cotton financing of Arkansas handled, but it acts as the correspondent of about 65% of the country banks in the State, and through us they get their necessary lines of credit for financing the cotton crop, and other financing throughout the State (R. 3467). In the early nineties, the cotton crop of this State ran from about 600,000 to 700,000 bales. We then had only a very few compresses, and these were of very small capacity, with practically no warehouse facilities. I believe that not more than 25% of the total crop was compressed in the State. The balance of the crop, approximately half a million bales, moved in its flat form by rail or water to New Orleans, Memphis, and St. Louis, on consignment to various cotton factors or commission merchants. The producers and owners of this cotton could have no idea of the price they were to receive. Some months later they would get [fol. 703] an account sale from the commission merchant, showing disposition of their cotton and from the gross proceeds was deducted numerous charges to cover transportation, interest, commissions, weighing, sampling, storage, insurance, and everything conceivable; and then the net proceeds were credited to the shipper's account for supplies furnished, and generally the shipper was left deeper in debt to the commission merchant (R. 3468).

The railroads and other interests wisely saw the necessity of a change in handling cotton, not only to conserve their equipment, but to save southern agriculture from absolute bankruptcy. Concentrating zones were established and the building of compresses at logical points was encouraged. In a few years every town and hamlet in the State had several cotton buyers, competing for and paying full value for the cotton on the spot, all but eliminating cotton factors and commission merchants. The humblest farmer could sell his bale in his home market on a parity with the leading markets of the world. The establishing of these concentrating zones with the publication of through rates to the point of consumption placed all the markets in such zones on practically the same level. Since there were few banks, cash had to be paid for cotton and this was troublesome. It was not long until every town of any size boasted one or more banks (R. 3469). Down to the present time, there has been an increase in cotton production and [fol. 704] a very rapid development of compresses, until today we have 34 compressing and warehousing plants with storage facilities under cover for nearly 700,000 bales, representing investments of about $7,000,000. The records show that for the season of 1924-1925 the total Arkansas crop was 1,086,288 bales, while Arkansas compresses in that season received 1,331,083 bales. For the season 1925-1926 the total crop is given as 1,593,029 bales, and to date of May 7, when this statement was dictated, our compresses had received 1,717,045 bales, and it is reasonably estimated that the total receipts for this season will approximate 1,850,000 bales (R. 3470). This shows that we are not only taking care of the Arkansas crop, but of a good many thousand bales from the border States.

In recent years, the policy of the mills has been to buy in much smaller units than formerly, following a hand to mouth policy. Most cotton merchants of any magnitude just carry an adequate stock of many qualities to best serve their trade. We must buy our year's requirements when the producer wants to sell. No longer do the spinners warehouse and finance their cotton in the east, but this is now forced upon us. It must be admitted by everyone that cotton must be assembled at some point, whether that be a port or the interior, before it can be properly marketed, or

for that matter, transported most efficiently (R. 3471). I recently directed a clerk to take from our files any three invoices from three different towns situated on the three railroads concentrating at Little Rock. These three invoices from the towns of Atkins, England, and Lonoke aggregated 137 bales. Atkins is on the Missouri-Pacific, England on the Cotton Belt and Lonoke on the Rock Island. The disposition of this cotton discloses that 97 bales were shipped to New England mills, 24 bales to Carolina mills, 9 bales to New Orleans for export, 4 bales otherwise disposed of, and on May 7, there were 3 bales still in the stock, less than a month ago when I made this examination. The 43 bales from England, Arkansas, were classed into 24 different shipments (R. 3472). There were only 2 grades, middling and strict middling, but there were 13 different staple distinctions, classed into 13 different staples. The 50 bales from Atkins, Arkansas, were classified into 16 different shipments, 2 grades, and 10 different staple dis- [fol. 705] tinctions. There were 16 outbound shipments out of 50 bales, from September 14, 1925 to May 18, 1926. The 44 bales from Lonoke were classed into 19 different shipments, 12 different staples, and 3 different grades. There were 19 outbound shipments. I gave the clerk instructions to get invoices on early purchases, because I did not want to go into a lot of grade qualifications for color, low grades, and off grades. That will account for there being only 2 grades in the shipments, because this was all (R. 3473) cotton bought in early September by our street buyers in these respective markets, bought from the wagon, 1, 2 and 3 bales at a time. Our practice is to ship in 75 bale lots. I am only illustrating that we brought cotton in from these particular points, and out of so many bales we got so many bales for each marking, but the compress people tell me they come nearer shipping in 75 bale lots than any concentrator. It is an exception that we class out a list of less than 75 bales. That is fairly typical of the cotton business as conducted in Arkansas. It does not increase the cost of compression because the storage takes place on the compress facilities. It is immaterial where it is stored (R. 3475).

In Arkansas, the cotton merchants have their street buyers, who trade directly with the producer, buying in

small units (R. 3478). If bought at a compress point, it is delivered to the warehouse without any transportation service from the railroad, and if at a non-compress point, the day's buying is drayed to the railroad platform and shipped to a compress for concentration. This convenient system permits the assembling of the cotton from many of the smaller markets, enabling the shipper to properly class into carload lots of like grade and character. This concentrating system is the only adequate and economical way of merchandising their cotton not only for the producer, but for the cotton merchant and even more so for the transportation companies. In moving cotton locally to compress [fol. 706] points in concentration, the railroads are able to use any and all sort of equipment, bad order cars, and in times of stress, gondolas or coal cars, and I have known many times when they used common flat cars to get cotton to the compresses (R. 3479). Railroads do not have covered platforms for receiving cotton. It comes into the compresses very often wet and muddy and if it were not properly cared for would inevitably damage seriously. This applies equally whether the cotton is concentrated or transit. The compress warehouses afford storage facilities where the producer may protect his cotton from the elements, uses compress receipts as collateral with the banks, and keeps the wheels of commerce moving. The owner of the cotton, as well as the banks making the loan, wants the cotton stored in some nearby responsible warehouse and not at some port hundreds of miles away (R. 3480). If we did not have these interior facilities, in all [fol. 707] probability the entire crop would be on the market as rapidly as ginned, which would prove disastrous as to price and break down the transportation companies through their lack of ability to handle.

On concentrated cotton the shipper pays directly for every service rendered him by the compress, while on transit cotton every service needful and necessary for receiving cars, preparation for compressing, insurance, marking, and consolidating, etc., is covered by the compression allowance (R. 3481). I believe that compression is valuable and needful to the transportation companies on both transit and concentrated cotton, but so far as the business in Arkansas is concerned, where only about 25 or 30% of the crop moves

for export, I know that the transportation companies receive greater service and value from the compress companies on concentrated cotton than they do on transit cotton. Concentration originated as a transportation necessity, but undoubtedly is of great value to the producer and shipper as well as every other business interest (R. 3482).

Eighteen cents a bale does appear a trifling sum, but it might mean a difference between a profit or a loss to the small shipper handling from 20,000 to 30,000 bales. It would mean to the largest shippers handling from a million to a million and a half bales approximately $200,000. We who buy cotton under the keenest competition know full well that an advantage of only a few cents per bale is all that is necessary to get the business, and with such an advantage competition would soon be eliminated. It is my honest conviction that if this and other preferential advantages are given to port operators, it would only be a short time until a great number of the smaller cotton buyers, now doing a fair and successful business in interior markets would be eliminated (R. 3484). Inasmuch as Arkansas has very little cotton moving to either Houston or Galveston, and no considerable per cent of our crop to New Orleans for export, we have heretofore not been materially concerned in this question, because there were no shipside facilities at New Orleans; but with such facilities at that port, we do protest against the two rate plan, for we believe the measure of service performed by the transportation companies on domestic and export is substantially [fol. 708] the same, and we do not think it fair or just that our export business should be penalized, nor do we think we should in any way be placed at a disadvantage with the port operators or any one else (R. 3486). I do not believe that cotton could be stored and merchandised in facilities other than the compresses, speaking particularly with reference to Arkansas. I think the expense would be prohibitive. The railroads have no facilities for marketing. It would increase the cost both to the railroad, the producer, and the cotton industry; because it would increase the labor, and concentration companies could not go and put in little privileges, and because of lack of facilities for handling it.

Wagon cotton, or cotton originating at the compress point, is somewhere between 37 and 40% of the Arkansas

cotton. There are some compress points where it runs from 90 to 100% wagon cotton, at least 3 or 4. We ship some cotton to port on a port export bill of lading. We also ship on a through export bill of lading. I have no use for domestic rates to the port (R. 3489). What we want is one rate. I have no use for domestic rates to the ports. I suppose I should take advantage of it if I were a little younger.

Cross-examination:

We shipped through Savannah, but I think perhaps in the last two years or more we have not used Savannah. We have used every port from Maine clear on down the coast. We have used Norfolk, but not in recent years. New Orleans seems to be our best port now. I do not remember that we have shipped any through Mobile in recent years, although we have in other years. We have shipped a good deal through Brunswick. In shipping through New Orleans, I think the traffic would be possibly equally divided between the through bill of lading and the export bill of lading to the port (R. 3490). Whether it is a port bill of [fol. 709] lading or a through bill of lading is merely a form of negotiation between the seller and the European buyer, and if the European buyer is out his money longer on a through bill of lading, that is figured in the price. We put the cotton to Europe and on the bar-elhead so I think it is of no consequence since it is purely a matter of negotiation. If we have the option, we figure out what money is worth to us and if it is worth less to us than it is to the European buyer, we probably take advantage of that, but it all resolves itself into the price that the European buyer is willing to pay for the cotton. I would not [fol. 710] say the European buyer would give us the option to ship on a through bill of lading (R. 3491) or a port bill of lading, because there is a difference, small difference so it may be, in the matter of interest, but these people over there are now figuring every penny, and they would not pay us one price for cotton on a through bill of lading and the same price on a port bill of lading, because the port bill of lading is at least worth more to them in the interest they save. Possibly 30% of my company's business is export business. A great many firms in Arkansas do no ex-

port business whatever. I doubt if there are to exceed 10 or 12 shippers in Arkansas doing an export business, 15 anyway. The majority of them deal in specialities, and their entire business is in Canada, New England, and the Carolina mills (R. 3492). I find that Arkansas bills of lading command a premium in the spinning markets. At least, on many sales we make one of the conditions that it must be an Arkansas bill of lading.

At one time I was a bit selfish and felt that we were getting too many concentration points in Arkansas, but when I saw how these compresses located in the very productive districts of the State, where there were approximately 30,000 bales of cotton delivered by wagon to the compresses, directly from the gin, and all of that weight taken off of the railroad companies in concentration, and after I saw how those towns thrived, I reached the conclusion that selfishness was not a good thing and that every one of these plants in Arkansas, with the exception perhaps of one or two that are not well managed, are very necessary for the industry as a whole. I will go further and say that I do not think we need any more compress companies. I believe every logical point for a compress in Arkansas has been covered (R. 3493). There are a very few points where they have very small production of cotton and small handling at the compress. They are the exceptions. In the development of the interior markets, we have competition with port merchants, quite a good deal of it, but the port merchant, as a rule, is not competing for the same kind of cotton that the shipper to the American mills is buying. The port merchants buy mainly what we call "bread and butter" cotton from certain areas and territories where the cotton is of low staple and is not the cotton that is so desirable for the American trade. The concentration charge in Arkansas (R. 3495) is really so small that if the [fol. 711] former is at all efficient in his methods he would not care to haul it that long distance for the 25¢ a bale that may be the difference. There are a few penalties on some of the roads, but (R. 3496) as a general proposition, we have concentration zones that may extend for 50 miles around a compress center and all other towns in that zone pay the same rate to the compress, so a man 30 miles up here has just the same rate to the compress point as one

10 miles up. The farmer very often considers 2 bids for his cotton and if he can get 25¢ more for his bale at a compress town than at a town 15 miles away, he might haul it down there, but it would not be a very wise thing for him to do. If he had his cotton all in and had the winter to get it to market, all of those things would enter into his mental calculation (R. 3497). In the early days that cotton nearly all went to factors located at St. Louis, Memphis, and New Orleans. Mr. Lesser and Mr. Goldman are interested in interior compress facilities through I don't believe they have ever controlled a mojority of the properties in which they are interested. My firm became interestd in compresses, and served to assist in building up the interior concentration points (R. 3499).

WITNESS F. J. HEREBLIX

I am Superintendent of the Southern Compress & Warehouse Co. My duties are such as to bring me in contact with all the operations of the warehouse in the handling of cotton within the Southern Compress & Warehouse Company's warehouses at Galveston and Houston. I have prepared an exhibit showing the intra-plant's cost of bringing cotton out of storage and trucking to trucks at those points. I have shown the maximum and minimum distances and the cost per bale. The exhibit is true and correct to the best of my knowledge and belief (R. 3500). It is Exhibit A-130 containing 4 pages.

Cross-examination:

I have jurisdiction over the Houston plant. We took the [fol. 712] average time required to truck to the point where the cotton is loaded at the Houston plant, getting the average from our operation reports. We keep the operation report by turning in memorandums of individual costs for different operations. We do not keep a separate ac- [fol. 713] count of the compress operations from the other operations (R. 3501). We do not keep the account so we can tell what part of the labor went in handling cotton to the compress and what part went into handling it to the

car; they are so closely allied that we find that impossible. We have it all charged up to labor in the whole. The insurance capacity of the Galveston Warehouse is 20,000, but the actual daily capacity is about 16,000. The dimensions of that warehouse are 1016 feet long and 220 feet wide. It is about 6 blocks from the nearest pier and about a mile and a half from the farthest pier. We dray our cotton down there (R. 3502). The dray comes into our warehouse, right down the middle, just as Moody and Kempner handle their cotton. We put the cotton out on a platform next to where the dray comes through. We undertake to get the dray as close as we can to where the cotton is in all cases. I would not say that we can usually get it pretty close. Some times we can and some times we cannot. I do not know how many bales we put on a dray; different drays hold different numbers. We do not load it ourselves on the dray. They handle that (R. 3503). The dray man receives the cotton on his dray whe-ver I put it out for him and he comes along and picks it up and puts it on his dray and takes it on. We do not use drays at Houston; we have used them, but they are not practical. We press the cotton at Galvestion as a rule when it goes out, and if we can we place it somewhere near the press to be picked up by the dray. We can do that unless we are blocked. We have had lots of cotton in there that would not pay us to move. We compress on an average in 10 hours about 1000 bales; about 100 bales an hour (R.. 3504). The drays cannot take it off as fast as we can compress it; I do not know why they cannot do it. We have no required accumulation there before the drays take it off (R. 3505). They may have 20 bales of cotton when the drayman comes in, and they may have no cotton at all; they may have 500 bales when he comes in. Any situation might come up. If we had 500 bales, we would not have it farther from the drays than we had it. He would pick it up as close as he could get his dray. At our Houston plant, in loading our cotton out there, we put the cotton in the nearest suitable car. The nearest car may not be suitable. We make more empties than we require in shipping out, but all of them could not be loaded. There are cars that are not suitable. We do not make more suitable empties than we require for loading out. We have to order in empties (R. 3506). That is not

[fol. 714] true during the rush of the season. We find even during the rush season that we may have to bring in cars on account of a great number of bad orders. We order those cars into the track (R. 3507).

WITNESS J. K MOORE

I live at Dallas, Texas; I am manager of the transportation department of the Dallas Chamber of Commerce. I was for a time connected with the traffic department of the Rock Island. I was at one time cost statistician for the Railroad Commission of Oklahoma. That was not the title, but I had two or three years experience in the accounting department of the Corporation Commission of Oklahoma, during which time I was engaged in the preparation and analysis of cost statistics of both utilities and common carriers (R. 3528).

Exhibits 49 to 57, which have already been introduced into the record at Houston, were prepared by me, and in connection with these exhibits, we desire to submit corrected Exhibits 52, 53, 56 and 57. A number of these exhibits carry in the heading "cotton handled or compressed for stockholders." That is incorrect. The cotton was compressed for railroads, and the bales of cotton shown in these exhibits compressed by the railroads were owned by the stockholders and the compression was done for account of the railroads.

Exhibit A-49 was prepared under my direction (R. 3529). The source of the information was the original tariff of the compress company's name. I did not examine all of the original tariffs sent me by the compresses. In filing this exhibit, I attempted to select different points throughout the State and points operated (R. 3530) by a chain of compresses. In my opinion, the tariffs shown in Exhibit A-49 are throughly representative of compress tariffs furnished me which cover most of the compresses operating in the 4 States. I examined a great number of them. Exhibit A-49 is true and correct to the best of my knowledge and belief (R. 3531). Exhibit A-131 is a list of Chamber of Commerce organizations and compress companies for whom

[fol. 715] my testimony is offered. Exhibit A-132 is a statement showing the production of cotton in thousands of bales, by counties, and by States, for Texas, Oklahoma, Arkansas, and Louisiana west of Mississippi River for the years of 1916 to 1925, both inclusive. There is also shown a 10 year annual average in the last column. It should be observed that the 1925 figures do not include cotton ginned subsequent to January 16, 1926. These figures were compiled from statistics prepared and published by the United States Department of Agriculture, Bureau of Agricultural Economics, and were checked by the Chief Clerk of that department (R. 3536), as indicated on the last page. The purpose of this exhibit is to show the fluctuation in production by counties and by States in the areas herein involved. In Texas, the average production for the 10 year period, per county, was 18.6 bales. During this 10 year period, the average spread between the lowest production and the highest production, per county, was 25.92 bales, or materially in excess of the average production. I invite particular attention to the substantial drop in production for 1925 under the previous year in the following counties in Texas, the amounts being in bales. Austin from 26,000 to 13,000; Bastrop from 29,000 to 7,000. Bell from 77,000 to 15,000. Bexar from 28,000 to 3,000. Bosque from 23,000 to 13,000. Brazos from 21,000 to 9,000. Burleson from 27,000 to 8,000, Caldwell from 53,000 to 5,000. Coryell from 35,000 to 7,000. Falls from 76,000 to 23,000. Fayette from 41,000 to 11,000. Gonzales from 45,000 to 8,000. Guadalupe from 45,000 to 1,000. Karnes from 50,000 to 15,000, Lavaca from 38,000 to 10,000, McLennan from 109,000 to 34,000. Milam from 63,000 to 11,000. Travis from 47,000 to 3,000. Washington from 29,000 to 11,000. Williamson from 113,000 to 16,000. Most of these countries are in what was known as the drouth area, but the fluctuation from 1924 to 1925 is not confined to the counties in the drouth area. There is hardly to be found a county in the State but what had during the 10 year period a substantial fluctuation in production. There is also a very substantial fluctuation in the total production in the State for the ten year period. Following is a percentage of the production for the years named to the 10 year average for Texas 1916—104 per cent; 1917, 88 per cent; 1918, 76 per cent; 1919,

[fol. 716] 87 per cent; 1920, 122 per cent; 1921, 62 per cent; 1922, 90 per cent, 1923, 122 per cent; 1924, 139 per cent; and 1925, 112 per cent. The average production for the three year period of 1922-1923 and 1924 was 4,171,000 in Texas. This was 117 per cent of the ten year average. In Oklahoma the average per centage for the 10 year period was 16.29 bales. The average spread per county between the low and the high production was 26.89 bales. The following are the percentages of production each year to the ten year average: 1916, 86 per cent; 1917, 99 per cent; 1918, 60 per cent; 1919, 106 per cent; 1920, 139 per cent; 1921, 50 per cent, 1922, 65 per cent; 1923, 68 per cent; 1924 157 per cent, 1925—170 per cent; the 8 year average to 1924 was 809,000 bales, while the production for 1924 was 1,511,000 bales or almost 100 per cent in excess of the 8 year average up to that year. The average production in Arkansas for the 10 year period was 14.02, while the average spread between the low and the high production per county was 14.52 bales. The following is the ratio of the production of each of the years to the 10 year average: 1916, 111 per cent, 1917, 95; 1918, 97; 1919, 87; 1920, 119, 1921, 78; 1922, 100; 1923, 62; 1924, 108; 1925, 145. The average production in Louisiana per county for the 10 year period was 10.04 bales, while the average spread between the low and high production per county was 14.27 bales. The following is the ratio of the production for the years named for the 10 year average: 1916, 95; 1917, 136; 1918, 122; 1919, 61; 1920, 82; 1921, 60; 1922, 73; 1923, 80; 1924, 105; 1925, 186; That is a spread between 61 per cent for 1919 and 186 per cent for 1925 to the 10 year average. The average production for the 10 years in the four States named was 6,000,000 bales in round numbers. The ratio of the production for the years named to the 10 year average of 6,000,000,000 bales was as follows: 1916, 101; 1917, 94; 1918, 80; 1919, 88; 1920, 121; 1921, 62; 1922, 87; 1923, 99; 1924, 134; 1925, 132. Exhibit A-133 shows the world production of cotton for the years 1916 to 1925, production in the United States and in the States of Texas, Oklahoma, Arkansas and Western Louisiana for a similar period and a 10 year average. In the second section is shown the consumption in the United States, production over con-
[fol. 717] sumption and the production in the four South-

western States named. The southwestern production for a 9 year average is slightly higher than the excess production of the United States. In the last section there is shown the ratio of the production in the United States to the world; in the southwest to the world, and in the southwest to the United States. The greater part of the exportable surplus of cotton produced in the United States is produced in the 4 States involved herein. These four States for a 10 year average produced 28.66 per cent of the world's supply of cotton and 51.18 per cent of the production of the United States. Exhibit A-134 is a statement showing production and consumption of cotton in bales in Alabama, Georgia, Mississippi, North and South Carolina and Tennessee for the years 1921, 1922, 1923, 1924 and 1925. The five year summary is shown at the bottom of the exhibit. From the summary it is noted that during the 5 year period both North and South Carolina consumed more cotton than they produced. In the aggregate for the 6 States the consumption amounts to 74.72 per cent of the production for this 5 year period. In Georgia it will be noted that the consumption during 1923 and 1924 substantially exceeded the production for the 5 year period. Exhibit A-135 is a companion exhibit to the preceding one and shows production and consumption of cotton in Texas, Oklahoma, Arkansas and Louisiana during the same 5 years as used in the preceding exhibit. The consumption in Arkansas and Oklahoma was not sufficient to justify a showing for those states and whatever consumption there was in those States was included in all other States. The consumption in Texas and Louisiana amounted to 589,394 bales during the 5 year period, or 1.98 per cent of the total production in the four States for the 5 year period. Only 350,563 bales were reported as being consumed in all other States. Exhibit A-136 consisting of 10 pages is a statement showing cotton handled by reporting compresses in Texas, Oklahoma, Arkansas and Western Louisiana during the season named. The witness has indicated the number of bales of railroad trasit cotton handled, the bales of railroad concentrated cotton handled, and the total bales handled. He has next shown the ratio of the railroad transit total, the ratio of the railroad concentrated to the total [fol. 718] and the last column pages 1 and 2—the ratio of

city of wagon cotton handled to the total. Not all of the compresses in operation today have been in operation since 1913. Many of the compresses which were in operation ruding those years do not have available records from which a division of the total cotton handled between railroad transit and railroad concentration, could be made. This is due to changes in ownership, destruction of records by fire or flood, etc. For this reason he assembled the reports for compresses making complete returns for the 12 years. He then added to this the report for the compresses making complete returns for 11 years and so on down the line. Pages 1 and 2 is a composite statement for the four States. For Texas we have 10 compresses making complete reports for 12 years. Here the ratio of the railroad transit to the total fluctuated up and down ranging from 7-7/10 to 12.6 per cent prior to 1919. From 1919 to 1924 there is a very marked increase in the ratio of railroad transit with a precipitous rise in 1924. This increase in the ratio in the transit to the total is accompanied by a corresponding decrease in the ratio of the railroad concentrated cotton to the total. Starting with 1919 the railroad concentrated dropped substantially with the precipitous drop in 1924. The showing for the 10 compresses does not differ substantially from the showing for the other compresses of later years. For example on page 5 under the last two columns for the 30 presses handling in excess of 1,000,000 bales each year and handling a million and a half bales in round numbers in 1924—there was a substantial increase in the ratio of the railroad transit each year with a precipitous increase in 1924 with corresponding reductions in the ratio of the railroad concentrated cotton to the total. On page 6—the situation at Oklahoma compresses is depicted. The situation is very substantially different at Oklahoma presses than has been shown to exist at the Texas compresses. For example—the ratio of the railroad transit did not increase to the same extent as in Texas. There is however a very precipitous increase for the year 1924 in the railroad transit with a corresponding reduction in the railroad concentration ratio. The ratio of the railroad transit in Arkansas is very substantially lower than in [fol. 719] Oklahoma and Texas and correspondingly the ratio of the railroad concentrated cotton is substantially

higher. There is however a substantial increase in the railroad transit for the year 1924 with a corresponding reduction in the railroad concentrated ratio. Pages 9 and 10 show the situation at Louisiana presses. There are but few presses in Louisiana, and we have reports from only a limited number.

I understand the two rate plan went into effect to Texas ports in 1917. It began to show its effect upon the concentration of interior cotton in Texas about 1918 or 1919. The shipside facilities were opened at the ports in 1923. At that time, there was another considerable dropping off in the concentrated cotton in the interior of Texas (R. 3545). On sheet 4 of the Exhibit you can determine the ratio of wagon cotton handled by deducting from the total bales handled, the total number of bales of railroad transit and railroad concentrated.

Exhibit A-137 is a series of 10 graphic charts showing the trend of railroad transit, railroad concentrated, and total cotton compressed by interior compresses in Texas, Oklahoma, Arkansas, and western Louisiana (R. 3546). Exhibit A-137 reflects graphically the exact information shown on the preceding exhibit. The first page is a composite trend of all the compresses reporting in the 4 States as reflected on pages 1 and 2 of the preceding exhibit. It will be observed that there is a fairly consistent relationship in the trend of the three lines up to the year 1921. During that year the railroad concentrated line did not rise in a corresponding degree with the other two lines. For 1924 the railroad concentrated line drops below the railroad transit line. The graphic line shows the increase in the total cotton compressed, the drop in the concentrated cotton and a corresponding increase in the railroad transit (R. 3548). There is no duplication in the figures for railroad concentrated cotton and railroad transit cotton. They are separate figures entirely; and neither originate at the compress point. Page 2 deals with Texas compresses only. It will be observed (R. 3548) that the railroad concentrated and railroad transit lines cross between 1921 and 1922, forming a sort of scissors, and for 1924, while the total cotton handled and railroad transit lines rise precipitately, the railroad concentrated line actually [fol. 720] dropped. Page 3 deals with Oklahoma and shows

a fairly consistent relationship between the three lines until 1924, when the railroad concentrated lines failed to rise in the same degree as the other two lines. Page 4 deals with Arkansas, and it will be observed that the railroad transit line is very near the bottom of the page. Page 5 deals with Louisiana. It will be observed that the railroad concentrated lines dropped substantially in 1924, while the other two lines rose precipitously. I understand that the rates ordered by the Commission in Docket 11,965 went into effect August, 1923. That had the effect of equalizing the Texas ports for Louisiana cotton as to storage. It projected into Louisiana the two rate plan to Texas ports. On the first five pages of this exhibit we have shown all (R. 3549) presses reporting for each of the years designated. On the succeeding five pages, the charts deal with the same compresses for all years, and I think a more correct picture can be presented by comparison of the identical compresses for the various years (R. 3550).

We start with the year 1919 on the last five pages. Page 6 is a composite statement showing the trend of 56 compresses in Texas, Oklahoma, Arkansas, and Louisiana, as shown on page 2 of the preceding exhibit. It will be observed that the railroad transit cotton amounted to 330,000 bales in round numbers in 1919, while it rose to 1,275,000 in 1924, or an increase of 940,000 bales. The railroad concentrated cotton amounted to approximately 1,329,000 bales in 1919 and dropped to 1,209,000 in 1924. The total cotton handled rose from 2,185,000 bales in 1919 to 3,131,000 in 1924 (R. 3551). Page 7 shows the situation at 33 Texas compresses. Here it will be observed the railroad transit increased from 235,000 bales in 1919 to 833,000 bales in 1924, while the railroad concentrated cotton dropped from 783,000 in 1919 to 570,000 in 1924. The total cotton handled [fol. 721] increased from *from* 1,326,000 bales to 1,765,000 bales, but the 33 Texas Compresses received no benefit in the way of concentration for this increase, but on the other hand actually suffered a decline of 213,000 bales in the total cotton concentrated. In talking about the decline of the concentration, I do not have any mention of concentration which takes place because of wagon cotton brought to the compress point. I am only taking the storage and the concentration. Page 8 shows the situation at nine Okla-

homa Compresses. It will be observed that the railroad transit rose from 83,000 in 1919 to 358,000 in 1924, while the railroad concentrated only increased from 234,000 to 279,000 in 1924. The total cotton handled increased from 387,000 in 1919 to 764,000, or almost 100% in 1924, while the railroad concentrated increased only 35,000 bales. The railroad transit cotton (R. 3552) increased approximately 350%. I think that the two rate plan has not been as effective on the Oklahoma cotton as on the Texas cotton during the period shown in these Exhibits, for the reason that at that time a considerable portion of the Oklahoma crop moved to New England all rail. The decision putting in through rates through the Texas ports to New England went into effect in 1925, but that would not be reflected in this Exhibit. Page 9, shows the situation at 11 Arkansas Compresses (R. 3553). It is to be observed that the railroad transit cotton rose from 10,000 to 53,000 bales in 1919 to 1924, the railroad concentrated cotton increased from 292,000 to 339,000 bales, while the total cotton handled increased from 445,000 to 534,000 bales. It will be observed that the ratio of the railroad concentrated cotton handled amounted to 65.8%, as shown on page 7 of the preceding Exhibit for 1919, and that this only decreased to 63.5% for 1924, a negligible decrease. This illustrates the very striking difference in the situation in Arkansas as compared with Oklahoma and Texas. Page 10 shows the situation in Louisiana for three compresses. The cotton handled by these three compresses represents such a small proportion of the total handled in western Louisiana, that I am not in a position to say that it would be representative. However, we have shown the situation in order to make a uniform showing as to each of the states herein involved. It is the contention of the interior interests that the very substantial decline in the railroad concentrated [fol. 722] cotton at interior points in the area involved (R. 3554) is largely due to the two rate plan. It would be impossible for me especially not being in the cotton business and knowing very little about the marketing of cotton, to say just what brought this about. I am not attempting to try to carry it out or go down to the bottom of this or say just exactly what these various causes were that produced this effect. I am showing the effect.

Exhibit A-138 consists of one page, and is a statement showing the trend of railroad transit and railroad concentrated cotton handled by individual compresses located at Greenville, Ft. Worth, Dallas, and Italy, Texas, for the twelve seasons ending in 1924-25 (R. 3556). At Greenville it will be observed that the ratio of the railroad transit cotton rose from 20.82% in 1921-22 to 57.99% in 1924-25, while the ratio of concentrated cotton dropped from 64.15% to 30.25% during the same period, without a substantial change in the city cotton handled. The railroad transit cotton increased from 9706 bales in 1913-14 to 110,596 bales in 1924-25, while the railroad concentrated cotton dropped from 111,061 bales in 1913-14 to 57,664 bales in 1924-25. The total bales received in 1913-14 was 137,130; the total bales received in 1924-25 was 190,732, about 60% decrease in the railroad concentrated cotton accompanied by a tremendous increase in the total bales received (R. 3557). The railroad transit cotton increased over 400% (R. 3559) from 1912-13 to 1924-25, while the railroad concentrated cotton dropped approximately 60%. During the meantime there was a big increase in the production and the total cotton handled. At Ft. Worth the railroad transit ratio rose from 21.48 in 1921-22 to 51.38 in 1924-25, while the concentrated dropped from 74.75 to 47.11 during the same period. At Dallas the railroad transit ratio rose from 19.41 in 1921-22 to 57.19 per cent in 1924-25, and the railroad concentrated dropped from 74.56 to 40.74 during the same period. He has shown Italy as the bottom of the [fol. 723] page to show the reduction in concentrated cotton during the past three or four seasons is not confined to the larger compress at concentrating points. The railroad transit ratio rose from 18.45 in 1921-22 to 60.28 in 1924-25, while the railroad concentrated dropped from 48.29 in 1921-22 to 17.08 in 1924-25. In 1924-25 Italy handled approximately 4,000 more bales than in any of the previous years shown and yet the railroad concentrated cotton was but 500 bales in round numbers over the previous year which was the lowest of any of the years shown. The railroad transit ranged from 11,732 bales in 1913 to 30,664 bales in 1924-25. The concentrated dropped from 16,459 bales in 1913 to 8,696 bales in 1924-25. Exhibit A-139 consists of 10 pages and is a statement showing cotton received

by interior compresses in Texas, Oklahoma, Arkansas and [fol. 724] western Louisiana during the seasons 1922-23, 1923-24 and 1924-25, divided between railroad transit, railroad concentrated and city or wagon cotton. Here is a record of 14,083,213 bales of cotton received by the reporting compresses during the three seasons named. The ratio of the city or wagon cotton received to the total cotton received was 29 per cent for the first season, 26.8 per cent for the second and 26.2 per cent for the third season, total for the three season 27.2 per cent. City and Wagon cotton go down at the same time. The reporting compresses thus handled 3,825,471 bales of city or wagon cotton, saving the railroads the cost of loading providing and maintaining facilities for the receipt of such cotton, and the cost of handling this volume of cotton into compress points in light loads. This is a most important factor, and one which should not be lost sight of in (R. 3561) considering the value of compression and the operation of these interior compresses to the carriers. It would cost the railroads a vast sum of money to provide facilities for the receiving of cotton at these compress points where the compresses now receive cotton on their platform. It would also add materially to the expenses of the carriers if they were required to load this city cotton. How much additional investment or how much additional operating expenses would be incurred, would be difficult to estimate (R. 3562). I understand that the rate on wagon cotton, compressed at the delivery points, is 18¢ less (R. 3563). In the aggregate, it pays the same rate. In actual practice, I understand that the railroad pays the compress in all instances, and collects the full 80¢ from the shipper (R. 3564). Exhibit A-140 consists of 8 pages and is a statement showing the loading of inbound and outbound shipments of cotton to and from compresses located in the interior of Texas, Oklahoma, Arkansas and western Louisiana. Page 1 is a summary for the various states and for the three seasons named. The remaining pages reflect the details making up the totals brough forward to page 1. The ratio of the inbound loading to the outbound loading for 1922-23 was 42.2%; for 1923-24, 40.7%; and for 1924-25, 41.2%. We have here a record of the inbound loading of 9,356,901 bales, which

average 27.6 bales per car and we have a record of outbound loading of 12,405,375 bales, or an average of 67 bales per car. It will be observed that the spread between the in and outbound loading is substantially the same in each of [fol. 725] the four states named. The spread has not varied substantially during the three seasons. The difference between the number of bales inbound and outbound (R. 3565) is represented in the city or wagon cotton, and the difference between the carry-over at the beginning of the first season and at the end of the last season named. I do not know whether the loading would be the same for a 20 mile haul on flat cotton as though they were going to send it 500 miles. I think that would depend upon the amount of cotton they had to go.

Exhibit A-141 is a statement showing in column 1 the compress point, column 2 total shares outstanding, column 3, shares owned by cotton merchants; column 4, total bales cotton handled during seasons 1922-23, 1923-24 and 1924-25; column 5, total bales railroad concentrated cotton concentrated for (R. 3566) stockholders during the three seasons; column 6, the ratio of column 5 to column 4; column 7, concentration charges for the year 1924-25; and column 8, storage charges for 1924-25, for Texas compression (R. 3566). This Exhibit tabulates information for 73 compresses. Reference marks just following the name of the compress points are explained on sheet #2. Each of these reference marks represents a chain of compresses operated under one management, and by one corporation or individual, or co-partnership. It will be observed that we have omitted duplicating shares owned for one corporation, individual or co-partnership that controls more than one compress. We have reduced the 15,000 shares outstanding with $10.00 par value for Victoria to 1,500 shares outstanding based on $100.00 par value per share. This was done in order to get at a fairer comparison of the total shares owned with the shares owned by the cotton merchant. Out of a total of 9,139,155 bales, these 73 compresses concentrated for their stockholders 504,381 bales, or 5.52% of the total number of bales handled. It will be observed that cotton merchants own 47.61% of the total shares of stock outstanding. Compresses concentrating railroad concentrated cotton for stockholders had out-

standing 59,780 shares of which 30,993 shares were owned by stockholders. This represented 51.85% of the total shares outstanding. It will also be (R. 3567) observed that [fol. 726] compresses where no railroad concentrated cotton was concentrated for stockholders had outstanding 29,568 shares, of which 11,549 or 39.06% was owned by cotton merchants. The concentration charge, as shown on sheet 3, ranges from 20¢ to 35¢ per bale, but there is a difference in the amount of free storage allowed. After taking into consideration the free storage provisions, it is difficult to determine any relationship between the charges for concentration and the amount of cotton, or per cent of cotton concentrated for stockholders. It is also difficult to find any definite relationship between the ratio of the shares owned by cotton merchants to the total shares owned and cotton concentrated for cotton merchants, at any of these individual presses. In connection with columns 7 and 8, we show a key under column 7-A, which is the concentration charge for Abilene. We show their storage charge, key-1. If you go to sheet 3, you will find that A equals a concentration charge of 25¢ per bale, excluding 15 days free storage. Under the key to storage charges, you will find key 1 carries 25¢ per bale per month or a fraction thereof. If the cotton were held there 16 days, the total charge would be 50¢ per bale, and it can be determined from (R. 3563) these keys in each case what the charge for concentration and storage would be.

Exhibit A-142 is a statement showing ratios of cotton owned by stockholders and received by Texas compresses during the three seasons 1922-23, 1923-24, and 1924-25, to the total cotton received. The ratio was 12.92%. The cotton owned by stockholders and received at Texas Compresses exceeded the cotton concentrated for stockholders at these Texas Compresses by 709,106 bales during the three seasons named. 709,106 bales of cotton *was* received at these compresses which was owned by stockholders which went elsewhere for concentration. Wagon Cotton is not considered in either one of the Exhibits, in the second column (R. 3569). Exhibit A-143 shows similar in- [fol. 727] formation for Oklahoma Compresses. Most of these compresses are owned by the Traders Compress Company and the tariffs of this company are set forth in Ex-

hibit A-49. The cotton merchants owned 53.08 per cent of the total shares outstanding in these Oklahoma compresses. They concentrated for stockholders during the three year period only 17.31 per cent of the total cotton handled. The figure 12.34 should be corrected to read 17.31. Exhibit A-144 shows cotton owned by stockholders and received at Oklahoma Compresses during the three seasons 1922-23, 1923-24, 1924-25 compared with the total bales received. The ratio was 22.27 per cent compared to 17.31 concentrated which means they received 97,326 bales for stockholders in excess of that concentrated for stockholders.

Exhibit A-145 is a statement showing number of bales of cotton compressed per day operated by 36 Texas Compresses for the three seasons 1919-20, 1920-21, 1921-22, compared with (R. 3570) the seasons of 1922-23, 1923-24, 1924-25. It shows that during the first period the average bales compressed per day was 144.7 bales, while for the last three seasons the average rose to 180.6 bales. Exhibit [fol. 728] A-146 shows similar information for compresses operated in Arkansas and Oklahoma. It shows that the bales pressed in Arkansas were but very little higher during the last than the first three seasons. However, in Oklahoma the average rose from 156.3 for the first period to 191.1 for the latter period (R. 3571). In connection with these two Exhibits, the Houston Cotton statement issued July 31st, 1925 by the Houston Cotton Exchange, (R. 3571) Board of Trade, indicates that there were compressed during the season of 1924-25, 2,377,844 bales. On the basis of 11 facilities in Houston, that would amount to 216,167 bales per facility. And on the basis of 300 days for the year, it would represent 720 bales compressed per facility per day.

Exhibit #A-147 consists of 5 pages and relates to weather damage tests made by the United States Department of Agriculture, Dallas, Texas, and Jefferson, Ga. The first two pages are an exact copy of an article appearing in Acco Press, official publication of Anderson Clayton & Company, and relates particularly to the tests made at Jefferson, Ga., details of which appear on pages 4 and 5. The purpose of this Exhibit is to emphasize the value of warehousing of cotton to get it away from the country damage.

Exhibit A-148 is a copy of Advice Letter #[illegible]1 issued by (R. 3572) the Traffic Department of the Houston Cotton Exchange and Board of Trade, dated August 17th, 1925, relating to the Commission's decision in Docket 14940. To this Advice Letter is attached a statement purporting to show the effect of the Commission's decision upon the water front and the up town or back of the water front compresses. On the third page of the Exhibit, it undertakes to show the effect of the decision upon interior concentrating points. The letter fails to point out other advantages now enjoyed by the water front facilities, which would not be disturbed under the one rate plan. The one rate plan would not place the water front facilities under the necessity of preparing and filing concentration claims, such as is now required of the interior concentrator and which would be required of him under the one rate plan. The water front facility would under the one rate plan maintain its present advantage over the interior facility in that the former pays in only one rate and is not out addi- [fol. 729] tional rate when cotton is exported. The interior concentrator must pay in the local rate when cotton is received and pay the local rate out when cotton is exported and file concentration claim for the difference between the total amount paid and the through rate origin to destination at the port.

Exhibit #149 is a copy of Mr. F. R. Dalzell's testimony on redirect examination in Docket 14,346 relating to indirect (R. 3573) service performed by carriers in connection with transportation of cotton. Mr. Dalzell there stated: "There are hundreds of departures from that (the Texas Commission Rules for out of line or back haul service) but in every instance the departures are voluntarily made on the part of the carrier, in order to meet either competition of the other roads, or its own convenience."

Exhibit A-150 is a copy of brief filed by the Oklahoma Cotton Growers Association, the Houston Cotton Exchange, and (R. 3574) Board of Trade in Fourth Section Application 464 et al., pending. The purpose of these two Exhibits is to show a conflict in the testimony offered in this proceeding, and that offered in proceedings in those other cases. Exhibit A-151 is a statement consisting of eight pages showing (R. 3575) distance between compresses

on individual roads in the territory here involved. On the last page we have shown an average distance of 58 miles. Certain corrections and additions reduce the average distance to 55 miles. This Exhibit was compiled by taking the Santa Fe, for example, as locating the northernmost compress, then taking the distance from that compress to the next compress in line of transit to the ports, and followed the same process with the other lines, and avoided duplication (R. 3576). There are certain backhauls permitted under concentration service.

Whether or not a charge is made for transit privileges [fol. 730] on other commodities throws but little light upon whether or not it is reasonable to assess a charge for the concentration of cotton. Consideration should be given to the peculiar circumstances surrounding the transportation and marketing of the particular commodity, to the manner in which the rates are constructed and to the areas of production and consumption. With but one exception, there is no similarity of transportation characteristics between cotton and the other commodities enumerated by Mr. Dalzell in his testimony. Cotton is the only commodity on [fol. 731] which the interior concentration very largely takes place where the cotton is compressed for the convenience of the carrier, thereby involving no additional physical operating service. With but one possible exception, which is poles or lumber creosoted in transit, cotton stands alone in another important respect, namely, an increase in the outbound load from the concentrating point. The area of production and consumption of cotton is not at all comparable with that of any of the other commodities named. The principal market for southwestern cotton is in foreign lands, and rates to such foreign lands are the combination of rail rates to the port and ocean rates beyond. Rates from Texas producing points to the important consuming points in New England, are generally based on the lowest combination over any one of the Gulf Ports. The principal markets for the other commodities named are domestic and generally through rates, substantially lower than the combination, are in effect from points of production to points of consumption (R. 3582). Mr. Dalzell's explanation at page 1213 of the Record as to why there is no charge for stopping of cottonseed oil for re-

fining, reconditioning, inspecting, barrelling, etc., furnishes a very close parallel with the necessity for continuing free concentration privilege on cotton at interior points (R. 3583). The rates on cotton are made on combination over the ports, and if there had been a charge made for stopping cotton for concentration at interior points, it would simply have stopped the concentration at interior points, and all of the concentrating would necessarily have been done at the rate-breaking points, such as the ports of Houston, Galveston, and New Orleans, though it became impossible to make a transit charge (R. 3584). The actual effect of the two-rate plan is to place a penalty on interior concentration of 100%. Of all the commodities accorded transit privileges, the greatest volume of movement is grain. Free transit privilege is almost universally accorded this commodity. In connection with the transit privileges, accorded to other commodities, generally the effect of the transit privilege is to reduce the weight per car from the transit point. The minimum weight on wheat is the marked capacity of the car, which runs from 50 to 100 thousand pounds, while the minimum weight on flour is 40,000 pounds. The average weight of wheat per car is in excess of 80 thousand pounds, while the average on flour [fol. 732] is slightly in excess of 40 thousand pounds. Frequently two cars of products are made up from one inbound car of wheat or corn. The fabrication of iron and steel in transit has the effect of reducing the load from fabricating point and frequently one car containing from 72 to 100 thousand pounds of unfabricated steel will be fabricated and shipped out in two cars. Sugar is frequently received in 60 thousand pound lots at storage points and shipped out on the lowest minimum available, which in this general territory is 33 thousand pounds. We have a reverse condition in this respect in these other commodities than is found to be in cotton where the concentration at interior points greatly increases the load out from the concentrating point. The Commission in Wool Rate Investigation of 1923, 91 I. C. C. 283, found that approximately 90 per cent of all the wool produced in the western territory ultimately finds destination east of the Buffalo-Pittsburgh line and north of the Patomac River. Through rates lower than combination over river crossings or the ports are in

effect from all this western territory to the consuming territory in the east. Moreover, the Commission in the Wool Rate Investigation just cited found that a very substantial portion of the wool consumed in the Boston area was shipped out in the original package. For this reason the fact that there is a charge for transiting wool and mohair is in no wise a justification for making a similar charge for concentrating cotton in transit. I have examined practically all tariffs in effect in this territory according transit privileges on all commodities. The rules and regulations in connection with concentration of cotton in transit do not differ materially with the rules and regulations in effect on other commodities. The time limit is generally 12 months. Substitution of tonnage is generally permitted. Change of ownership is generally permitted. Substantially the same records of receipts and shipments are required. There is one substantial difference in the application of rates that is worthy of mention and consideration. On cotton the shipper is required to pay the local rates in and local rates out and file claim for the difference between the total paid in and the through rate from point of origin to destination, while generally on other commodities accorded transit privileges the shipper only pays the [fol. 733] balance out. If a penalty for interior concentration is applied on shipments moving to the ports and not on shipments going to New England or to the southeast, a large part of the cotton moving to the ports would escape the penalty because cotton delivered at compress points, by wagon or truck, which amounts to 27.2 per cent, could be substituted for tonnage originating at non-compress points. This would enable shippers concentrating their efforts at points where a very large percentage of the cotton handled is city cotton to escape in all probability the penalty on all cotton going to the port, while the shipper doing business at a point where only a small per cent of the cotton is city cotton would escape the penalty on but a small per cent of his business. If a penalty is applied on shipments moving on through rates to New England the port concentrator would escape the penalty because the rates from Texas at least are generally on a combination over the ports, while the interior concentrator would be

required to pay the penalty. In the event a penalty is prescribed for interior concentration on cotton going to the ports, it seems to me a similar penalty would have to be attached on cotton going to New England or Southeastern States, and that would result in the anomaly of penalizing cotton going to New England or Southeastern States at the instigation of the Houston interests to preserve the advantage they enjoy in the two-rate plan. The railroad competitive conditions in the southeast are not identical to those existing in the southwest. The marketing conditions are entirely dissimilar on account of the large consumption of cotton in the southwest. The Southeastern carriers generally provide for free back haul or out of line service to enable them to meet competitive conditions or for their own convenience. Generally, there is no marked difference in this respect in the two territories. Whatever difference there may be is accounted for in the fact that the competitive or marketing conditions are different in the two territories. The extent of the back haul or indirect haul service permitted free is not the same in connection with each commodity nor the same on a particular [fol. 734] commodity in connection with each line, because the competitive and marketing conditions differ. The extent of the free back hauling or indirect service accorded each commodity by each road is measured by its competitive influences which exist. Some of the roads in connection with some commodities provide a general provision in their tariffs to take care of any contingency in this regard. For example the Katy in its tariff 2266-C, I. C. C. No. C-6, Rice, provides,

"No charge for out of route movement will be assessed on any shipment which could have been handled by a competing line, point of origin to destination via transit station without additional service."

Nor does the Katy in this tariff restrict back haul or indirect service to the aforementioned condition: It also provides,

"Except as provided in paragraph (d) when out of line or back haul service is in excess of 125 miles, a charge of 1 cent per ton per mile will be made for such excess."

Somewhat similiar provisions are made in other tariffs. Reference has been made to free back haul permitted by the Santa Fe on cotton from Cleburne to Dallas and return. This free back haul service is accorded all other commodities accorded transit privileges that the witness knows anything about. It is to meet competitive conditions between the carriers. An example may be found in the competitive conditions at Ardmore with the Frisco. A shipment originating at Ardmore may be delivered either to the Santa Fe or Frisco for transportation to Houston; if delivered to the Frisco and transited at Dallas and there delivered a connecting line no back haul would be involved. The Santa Fe desires to meet this competition and accordingly waives back haul charge from Cleburne to Dallas and return. Otherwise it would be deprived of this competitive business. This is but a fair representative example of many other competitive conditions which exist throughout the southeast or in fact the entire country on not only cotton but grain and most all other commodities accorded transit privileges which necessitate the waiving of out of line on indirect haul service. It is my opinion that whatever additional back haul or indirect service may be ac-
[fol. 735] corded by the carriers in connection with concentration of cotton at interior points over and above that which is accorded other commodities is necessary on account of the peculiar conditions surrounding the transportation and marketing of cotton which do not exist in connection with the handling of other commodities. That is the only one of many factors which exist in the making of rates. To attempt to make every service remunerative in the transportation of freight, passengers, or in many other lines of endeavor would lead to a multiplicity of difficulties and bring chaos to the industrial life of the nation. There are so many different characters of service rendered in connection with transportation that it is wholly impractical to attempt to ferret out each service and determine either the cost or value of the service or what charge should be made for such service. It costs no more to handle a car of silk than a car of cotton piece goods. Theoretically it costs more to handle a passenger with baggage than one without, yet who would advocate the making of a separate charge for the 150 pounds

of baggage allowed each passenger, or making a lower charge for the passenger without baggage. It does not cost the same to deliver shipments to each industry in a given city. To adopt Mr. Clayton's theory would be as many rates to a given city as there are industries. Nearly every railroad would have a different rate varying with the varying costs incurred by each line. The shipper of a trainload of cattle would be entitled to a lower rate than the smaller shipper with only one car. The Farm Bureau would have to pay higher rates than the cotton merchants because of the nature of its business which requires the making of shipments in small lots. There is no added expense in concentrating cotton after making due allowance for the advantages which accrue to the carriers on account of interior concentration, especially where the cotton is concentrated where it is compressed. If there is any additional expense it would certainly be most difficult to determine what that expense would amount to in cents per 100 pounds. Even if the expense were definitely ascertainable it is my opinion it would be impracticable and unreasonable to make a separate charge therefore, because all cotton must be concentrated before marketing, and the fact that a facility located on the water front does not re-
[fol. 736] quire concentration in transit insofar as the rail service is concerned is no justification for the charge. Not all grain is transited and it would be just as practicable or reasonable for the shipper who did not by reason of the nature of his business require transit to insist he should enjoy a lower rate. The very purpose of establishing free concentration was to put everybody in the cotton business on an equality. The people for whom I am testifying favor the one-rate plan. Generally distance is one of the most important factors which causes the carriers to recognize advantages of location. I do not know of any freight rate adjustment anywhere in the United States where they recognize a difference in distance within the same switching limits. Usually the rate is made to apply to all points in the switching limits. The operating expenses either per gross ton mile or per net ton mile on the Gulf, Colorado & Santa Fe is materially below the average for the territory here involved, and while the exhibits submitted by Mr. Morrissey undoubtedly would reflect the approxi-

mate saving to the Santa Fe, it would not be representative at all of other lines, which would by reason of a higher operating expense per gross ton mile or per net ton mile, secure a greater saving in the compression of cotton. The statistics of the Gulf, Colorado and Santa Fe would not be at all representative for other lines and would not on any study of the Gulf, Colorado & Santa Fe reflect the full saving to the carriers of the compression in transit. I think that the gross ton mile figures would probably be the most accurate method which could be used to determine the saving on cotton. There is a considerable variance in the loading of cotton and other commodities. Lumber, for example, loads materially heavier, as would coal and wheat and there are incidental services in connection with the handling of cotton that might not be found in the other commodities. The two rate plan is a vehicle for defeating through interstate rates on cotton from Texas points to New England. For instance, from Texas common points to Fall River, Mass., the present through rate is the combination of the 83.5 cent coastwise rate to Houston or Galveston plus the water and rail rate of 62.5 cents beyond, a total of $1.46. It would be possible for a facility on the waterfront to which the 80 cent rate may apply to defeat [fol. 737] the through rate by shipping into that facility on the 80 cent rate and out on the interstate water and rail rate beyond.

Cross-examination:

I understand that the coastwise movement from Houston to New England is very small. I have been Traffic Manager of the Dallas Chamber of Commerce since January 1st, 1926 (R. 3601). Our organization has assumed the leadership in making the fight against the contention of the ports' interest in this case. It is my idea that this was an effort on the part of the Houston interests to monopolize the concentration and handling of cotton at Houston. I cannot say that it has been the idea of our members. I do not think it was so represented to the various interior smaller cities as being that kind of a scheme. A representative of our organization did visit a number of the points for which I am appearing here (R. 3602). I do not know what

representations were made by the representative of the Dallas Chamber of Commber calling on these individual bodies. Most of the smaller Chambers of Commerce are at compress points. There are a few exceptions, I believe. It is our position that every compress point should be built up as an important concentrating interior market, if there is enough cotton available tributary to that compress. I have not studied this case from the standpoint of cotton marketing (R. 3603). The rates to Dallas from St. Louis on commodities generally should be lower than the rates from St. Louis to San Antonio (R. 3606). There are factors other than the service. If we had the same rates today to somewhere 10 miles beyond San Antonio outbound, we might have a different condition. Competition is a factor. I would not say that any one factor should be controlling. I advocate making rates the same to all points in a switching district, or in an industrial community of a given city. That is almost universally the case (R. 3607). It is true that from Galveston to Norfolk, Virginia, at every port where cotton is exported, there are higher rates for ship-side delivery than for local delivery from some territories. There are exceptions from certain territories, but at New Orleans there is no such difference. On Exhibit A-132, [fol. 738] where the highest fluctuation was shown to be in 1925, I think that was due to the fact that there was an unusual drought in what is usually the producing cotton section (R. 3609). The fall in the price of cotton in the season of 1921-22, without a corresponding decrease in the cost of labor, undoubtedly did affect the production of cotton. In my section there was lots produced that was never picked (R. 3610). I know that there has been a substantial increase, both in the acreage and the production of cotton in the western part of Texas during the last four or five years. Whether or not that would build up the production in the state as a whole, would depend on what the conditions were in the other part of the state. I do not know whether or not it is true that but for this increased acreage recently in west Texas, the Texas production would have been far below a normal production. I think there were certain parts of east Texas that had a substantial increase in production (R. 3611). I believe, however, that increased production in west Texas did bring up the production dur-

ing the last season, notwithstanding the decreased production in the drought area. For cotton produced in the center of Georgia, there would be a market in almost any direction at the mills. Over here that situation does not exist, and the movement of cotton is largely in one direction (R. 3612). I think generally that the Liverpool and foreign markets make the basis for the marketing of Texas cotton. In my judgment, the price fixed at the interior Texas points is dependent largely on the price at the Texas Ports, because of the fact that the Texas crop moves almost altogether to the ports. I don't know anything about the marketing of cotton. I am not familiar with what goes into the making of those prices. The World War breaking out in 1914 demoralized the market, and there was a "Buy a Bale" movement started (R. 3613). I think that the fact that an additional port was established in Texas about 1920, which was already a large flat cotton market, would [fol. 739] naturally have some effect in the trading market. I could not say whether a strong effort on the part of local merchants to build up a movement through that port would attract a substantial amount of concentration. But I think, on that theory, that if you would build another port, we would not have any concentration left at all (R. 3615). I believe that the Texas Compress Association requested the information for the entire period from all of the compresses that are represented on Exhibit A-136, as far back as 1913. Questionnaires were actually turned over to me filled out by each of these compresses. I understand that some of [fol. 740] them were not in operation during that entire period. Others reported that they were unable to furnish the division betwen transit and concentrated cotton. Some of them reported that they had no records of the amount of business handled during part of those years. We got the report of 110 compresses altogether, but we did not have that many for more than one year. I wanted to show the information as complete as it was possible with the returns made, and I wanted to show that the (R. 3616) condition was not very different by using 65 compresses in Texas for example, and using 10 compresses for the year 1924-25 as an example. I do not think that all of the compresses for whom I am appearing, as shown on Exhibit A-131, furnished answers to the questionnaires; substanti-

ally, I should say the greater part of them did. I do not recall whether the cases where the amount of concentration of cotton has substantially increased during the last period of years shown on Exhibit A-138 had been reported (R. 3617). On page 3 of Exhibit A-139, there is one asterisk, "No separation between transit and concentrated cotton," and two asterisks includes railroad transit cotton. There were two points, Hillsboro and Marlin, which should not have been included in the totals, but they would not materially affect the results (R. 3619.) On Exhibit #A-145, the statement is based on the number of days open for business: I could not say whether they had their crew ready to start compressing any minute of all that time, on any one of those days. I did not send out the questionnaires; I do not know just what it does mean. I do not know whether or not the St. Augustine Compress operated on Sunday or held themselves out to compress cotton on Sunday. I simply took their statement for it (R. 3620). The fact that that compress and the compress at Greenville are shown to be open every day of the three year period, does not indicate to my mind that this might have been made up under a misapprehension as to what we were trying to get at. The questionnaire called for the number of days open for business. I take it that they were in fact open for business all those days. A man may be open for business and not do any business. I do not know what the conditions were on each of those days. The fact that the Arkansas presses had exactly 939 days with the exception of two that had 936, [fol. 741] it is not intended by this to indicate that the compress operation for the days are shown. The statement does not so indicate (R. 3621). The heading is incorrect; it should read "Number of days open for business." I went into the Transit Tariffs of the southeastern carriers. I did not go into the question of whether or not in their tariffs they generally allow compression of cotton in transit at as low a figure as they will ship it flat in transit. I did not go into the question of the transit privileges. I do know that they make a charge for concentration after a period which I believe is 90 days (R. 3622). That practice is not uniform. In some cases there is a storage charge, and in some cases a concentration charge, so far as I have had occasion to look into that question. My examination

was largely directed to back haul and indirect services without penalty.

There would not necessarily be any carrier competition that would compel the Santa Fe to take cotton from Krum, Texas, between Ft. Worth and Gainesville, to Dallas for concentration. It might be cross country competition. The Santa Fe wants to meet the competition from Gainesville, and the rate is the same from Gainesville as from Krum to Houston. As long as you permit cotton originating at Gainesville to come to Dallas for concentration, you must permit cotton from Krum to come to Dallas for concentration or you would be violating the Fourth Section as to inter-state traffic (R. 3624). The competition of the Katy makes competition at Gainesville. I do not know whether the Katy would be the rate making route from Gainesville to Houston, but the rate would apply via both lines. Perhaps via the Santa Fe the distance would be shorter. I would not say that all of the indirect service is either compelled by carrier competition Fourth Section requirements, or carriers' convenience as to compressing northward or southward. Some of it is brought about by marketing competition. The carriers frequently make rates to meet market competition. The Texas & Pacific, for example, equalize rates and made rates to New Orleans the same as to Galveston. That was undoubtedly a market competition; of course, it was also carrier competition.

[fol. 742] Redirect examination:

I have read the Texas Commission's Circular #401. I understand that it authorizes the application of the Texas Commission rate to the wharf of the wharf company. The domestic rate, as authorized by the Texas Commission, will apply to a point where shipside delivery may be effected (R. 3633). It is reasonable to assume that additional ports will compete with the existing ports. The traffic they might draw would reasonably be expected to come from existing ports' traffic rather than from interior facilities (R. 3634).

WITNESS E. H. THORNTON

I am Traffic Manager of the Galveston Chamber of Commerce, Galveston Cotton Exchange and Board of Trade.

Have held that position since March 1st, 1919. Galveston favors the one-rate plan, as we feel that this system of making rates will more nearly place all cotton merchants and concentrators on an equal basis. We want no charge made for the assembling or storing of cotton at the ports which has been previously concentrated in the interior before reaching the ports. The waiving of any charge for such storing at the ports, for that class of cotton would be confined, of course, to such cotton as is delivered to the Steamship Line or to the vessel at the port at which the storage take place. On such cotton which is purchased by the port merchant at these interior concentrating centers, the same is handled on ships in large units ordinarily, and the cotton moves to the ports under one bill of lading. It is my opinion that there is very little, if any, handling of this class of cotton at the mixed platforms at the port so that the expense to the carriers in the granting of this privilege of storing at the ports for delivery to the steamship lines is in my opinion not so great. The Transit Tariffs of the various carriers provide that wheat may be stopped for storage without charge; that wheat may be ground into flour and the flour shipped on to a farther storage point and there given a storage privilege, then reshipped to an ultimate destination. These free privileges [fol. 743] are granted on wheat and flour at three different points by most of the southwestern carriers, except that the storage of transit flour in Texas is not permitted, with the possible exception of one or two points in Texas, such as Marshall (R. 3636), but at other points in the southwest the storage of flour is permitted by the carrier without charge. The purpose of comparing the privilege in transit on other commodities is to show that it is not uncommon for the carrier to grant a second free concentration. My testimony is supplemental to that of I. M. Griffin. We are opposed to the carriers or Commission making rates on cotton conditional upon whether or not more service is free or performed in any one case than in another. The rates on cototn should include free concentration, switching, etc. On other traffic, the rates are so made to include these other services and privileges. We are opposed to any charge being assessed for first concentration of the cotton either at the interior or at the

port. Such a charge would defeat the one-rate plan and place us back where we are today, about which we are complaining in this proceeding. So far as I can determine, there has been no changed condition in either Galveston or Houston in the handling of cotton since the original hearing of this case, except that at Houston at the present time, there is a uniform switching charge of $8.10 per car assessed for switching cotton from the various warehouses at Houston back of the water front to the ship's (R. 3638) berth, while at the former hearing an exhibit was introduced by witness Dalzell showing varying switching charges that were assessed. At Galveston, the railroads formerly absorbed only $3.15 per car of the switching charge assessed by the wharf company on local or domestic shipments arriving at Galveston. The wharf companies charge $4.05 per car for switching service. At the present time, the railroads absorb this entire amount of $4.05 per car. The Cotton Concentration Company has taken over the six high density compresses at Galveston that were formerly operated by J. H. W. Steele (R. 3639).

[fol. 744] My Exhibit A-152 consists of 24 pages, page 1 being a Supplement to Exhibit A-9 introduced by me at the former hearing, which brings up to date the net receipt of cotton at Galveston, Houston and Texas City, Texas, as well as the export coastwise and rail movements of cotton from these three ports to market for the seasons 1923-24, up to and including March 31st, 1926 (R. 3640). Fully [fol. 745] 50% or more of the coastwise movement of cotton from Galveston originates or is concentrated at Galveston. That, taken into account with the all-rail movement, from Galveston to the New England mills, should demonstrate that there are merchants in Galveston who deal in domestic cotton. There is a large movement from Galveston to New England and Southeastern mills and any charge that would — assessed for first concentration in the interior could not very well be kept out of the ports on that class of cotton. There would be a penalty assessed even on first concentration (R. 3641). There is a considerable movement of standard compressed cotton for export from Galveston. During the period August 1st, 1925, to and including April 1st, 1926, three Galveston concentrators and shippers who do not own high density compresses

exported from Galveston 62,637 bales of standard cotton and 57,987 bales of high density cotton, while two of these same shippers exported 57,037 bales of standard cotton, and only 7,932 of high density cotton during the same period. Thus indicating that there is a substantial movement of standard exported cotton from Galveston, which seems to be on the increase every year. Page 2 of this Exhibit shows the movement of round bales of cotton through Galveston and Houston for the cotton season, ending August 31st, 1921, up to and including March 31st, 1926 (R. 3642). The heading is incorrect in stating that the cotton is from only Texas and Oklahoma. The cotton is received from everywhere. We received close to 40,000 bales of Mississippi cotton at Galveston this year. I think there was a considerable movement to Houston from Mississippi, I do not know. At page 3 of this Exhibit is a reproduction of Tariff 7 (R. 3643), issued by the master stevedores and placed at all Texas ports. Item 9 refers to the trucking of cotton within 200 feet of the hatch of the ship. I have discussed this matter with the various steamship agents and operators at Galveston, and I find that this term "200 feet of the hatch" means via a direct line. If there is any lateral trucking involved which would increase the actual trucking distance more than 200 ft. no additional charge is assessed, at least against the shipper or exporter. I find also that the Steamship Clerk quite often does not even know in what ship the cotton will be loaded, let alone in what hold of the ship it will be loaded. Page 4 is a comparison of the switching charges assessed by the International & Great Northern at Houston and [fol. 746] absorbed by the connecting lines at Houston on cotton brought in to that point when delivered through the McFadden Warehouse located in the Congress Street Yard and (R. 3644) also when delivered to the Ship Channel Warehouse, including the Long Reach plant, owned and operated by Anderson, Clayton & Company. This shows that on cotton originating in Texas and consigned to McFadden's warehouse, the switching charge assessed by the International & Great Northern is $1.80 per car, or 2.8¢ per bale, based upon an average loading of 65 bales to the car. On a car of cotton coming into Houston from points in Texas consigned to the Ship Channel Warehouse,

such as Long Reach Plant, Alexander Sprunt's warehouse, the International & Great Northern assesses a switching charge of $8.10 per car or 12.5¢ per bale, based upon the average loading of 65 bales to the car, there is a difference in the case of McFadden's warehouse of 9.7¢ per bale on inbound shipments. If the cotton is given a concentration privilege at (R. 3645) both McFadden's warehouse and at the Ship Channel Plant, reshipped either to New England Mills or the southeast on the outbound movement, the International & Great Northern assesses a switching charge of $3.15 per car from McFadden's warehouse, which is equivalent of 4.8¢ per bale, while the I. & G. N. assesses a switching charge of $8.10 per car from Long Reach Warehouse and Alexander Sprunt's warehouse, or 12.5¢ per bale. The last full column on this Exhibit shows the total switching charges assessed by the I. & G. N. for the in and outbound movement both to and from McFadden's warehouse and put in the Ship Channel Warehouse, which shows that the total switching charge is $4.95 per car, or 7.6¢ per bale; while to and from the Ship Channel Warehouse, the total switching charge is $16.20 per car, or 25¢ per bale, a difference in that case in favor of McFadden's warehouse of 17.4¢ per bale, which the carriers equalize in their freight rate. Page 5 of this Exhibit is a statement showing the fluctuation in ocean rates in high density and standard compressed cotton from Galveston to Liverpool, from season 1911 up to date (R. 3646). The reduction in the differential in the ocean rate quoted by the steamship lines on high density and rates quoted on standard cotton to the various foreign markets, caused the reduction in the charge for high density compressing at Galves- [fol. 747] ton. The port compresses necessarily must fix that charge for high density within reason to make it attractive for the cotton exporters. There has been no change in the cost of delivering cotton from the warehouse to the ship's berth and it does not matter, of course, to the shipper whether the charge is quoted separately or whether the entire charge of compression and delivery is quoted as one lump sum (R. 3647). For the seasons 1916-17 the spread was $2.00 to $6.00 in the ocean rate, but the allowance was from 20 to 25 cents per 100 pounds. In the season 1917-18 the spread was between 15 and 20 cents. During

the period of scarcity of ocean tonnage as a result of the war, the ocean carriers would not accept standard cotton at all. They will now accept any amount. In fact, some steamship companies prefer it because the ships go out only partially loaded at the present time anyway. They will not accept flat cotton. They could give you a rate on flat cotton for April, some of them might do that (R. 3648). Pages 6 to 10 of this Exhibit reproduces the statement prepared for the former record by Mr. B. R. Swain, in which it is stated that the average detention of cotton moving under through export bills of lading as well as all export cotton consigned to Galveston for a period August to October, 1923, inclusive, showing that there is less average detention on cotton moving under a through export bill of lading than on all export cotton, which includes cotton moving on through export bill of lading as well as cotton sent to the port on what is known as a port export bill of lading. Page 11 shows the average detention of cars containing export cotton at Galveston for the periods shown on this Exhibit. It takes into account the detention of the cars from the time the same was received in the railroad yards at Galveston, and not from the time that the cars are placed for unloading. The previous pages 6 to 10 take into account only the time for which the cars were placed for unloading. The statement at the bottom of page 11 is a reproduction of item 175, published in A. C. Fonda's [fol. 748] Tariff, I. C. C. 175, in which the carriers require (R. 3649) the steamship lines at Galveston and other Texas ports to sign an average agreement assuming all demurrage that may accrue on cotton that moves through on export bill of lading. I find that whenever any demurrage accrues, and that is very seldom, on such cotton moving on through export bill of lading, such demurrage is paid for and assumed by the steamship agent and not by the [fol. 749] shipper or exporter. Similar free time is allowed on all other export traffic, and generally speaking the export rates on all other traffic are the same as domestic rates applied to the ports or lower than the domestic rates applied to the ports on such important commodities as grain and flour which move in large volumes through the Texas ports. On grain, there is an extra free time of 10 days allowed at the ports. On flour the extra free time

is the same as cotton moving to the ports on export bill of lading, that is, four days. Pages 12 to 13 of this exhibit merely support the comparison shown on page 11, and is an excerpt from the testimony introduced by Witness Swain in a hearing at Galveston, Docket 17709, as shown on page 12.

Mr. Fulbright: We object to testimony being offered here of a witness in an entirely different case, unless the witness be produced here for cross examination.

Mr. Cummins: I have the figures. I will put them in. I have the figures for both through export bill of lading cotton as well as port export bill of lading cotton.

Mr. Thornton: All right. If you are going to put them in, I will withdraw pages 11, 12 and 13, except item 1730 at the bottom of page 11. (R. 3655.)

Page 14 is simply an excerpt of Note 16, page 4, of J. H. Glenn's Port Cotton Tariff #15-A, I. C. C. #A-525. It shows how the lines serving New Orleans interpret the term "depot delivery" and the meaning "delivery to a warehouse," that do not effect a shipside delivery. Pages 15 and 16 show the rates on cotton compressed in transit with carriers' exceptions as well as short line distances via not more than three railroads from representative points in [fol. 750] Arkansas to Galveston, Texas, and New Orleans, Louisiana. The rates shown apply for domestic depot delivery. The shipside rates are uniformly 5¢ per 100 lbs. higher than the rates shown. The materially lower rates that have been established via rail and barge from Arkansas to New Orleans, since 1923, have seriously disturbed the relationship of rates on cotton from Arkansas to Galveston and New Orleans that were fixed by the Commission in I. C. C. Docket 11,965 (R. 3656). Page 18 is a map, showing that the only line that would be involved in the alleged Fourth Section difficulties would be the line of the Missouri Pacific adjacent to the Mississippi River running from Memphis, Tenn., to New Orleans via Alexandria and via Ferriday. The Missouri Pacific applies the same rail rates from Memphis, Tennessee, 76½¢, and Helena, Arkansas, 76½¢, to New Orleans via its Mississippi River route. These are the same rates as are applied from Memphis, Tennessee, and Helena, Arkansas, via Illinois Cen-

tral and Yazoo & Mississippi Valley to New Orleans, the Eastside line. The Missouri Pacific, in order to clear (R. 3657) the Fourth Section on this division of its line must hold the Memphis rate and the Helena rate of 76½¢ per 100 pounds as maximum at intermediate points. Away from this particular division of the Missouri Pacific, you will find that almost the entire state of Arkansas is [fol. 751] blanketed at an 87¢ rate to New Orleans so we have a lower the domestic rate here. The shipside rates are 5¢ higher than shown on this Exhibit. From points in Arkansas on the Missouri Pacific and Chicago, Rock Island & Pacific west of Little Rock, the rates grade up rapidly to 96½¢ at Ft. Smith. This only involves what is known as the Mississippi River division of the Missouri Pacific running from Memphis Tennessee, to New Orleans via Marianna, Atkansas, McGhee, Arkansas, Dermott, Ark., Montrose, Arkansas, and Kimball, Arkansas, then via Alexandria, Louisiana, and the Texas and Pacific to New Orleans, also includes the route from McGehee, Arkansas, to Ferriday, Louisiana, then Texas & Pacific Railway to New Orleans. The present rates on cotton from that territory to Galveston are from 5 cents per 100 pounds to as much as 20 cents per 100 pounds higher than the current rates to New Orleans. If the Missouri Pacific can show actual movement of free cotton from Memphis or Helena to New Orleans under the 76.5 cents domestic rates, then we suggest that the Commission grant the Missouri Pacific Fourth Section relief on the 76.5 cent domestic rate from Memphis and Helena to New Orleans, and permit that carrier to carry higher domestic rates from intermediate Arkansas and Louisiana points to New Orleans. We suggest for illustration, that the domestic rate on cotton from Marianna, and intermediate Arkansas points to New Orleans be made 79.5 cents, or an increase of 3 cents per 100 pounds over the current domestic rates from that territory; that that same rate be made to apply for export shipside delivery, and that the rate to Galveston from this same territory be made 84.5 cents per 100 pounds both domestic and export shipside delivery, with similar adjustment from other points on that branch of the Missouri Pacific.

Our second proposition is this, that if no actual movement of free cotton is shown to move via the Missouri Pa-

cific from Memphis, Tennessee, and Helena, Arkansas, to New Orleans for local delivery, then we suggest that the Missouri Pacific raise its Memphis-Helena-New Orleans domestic rate to at least 79.5 cents, and this would equal the suggested rates from intermediate Arkansas and Helena points to New Orleans.

[fol. 752] In this connection I call particular attention to the materially lower rates applying on cotton from both Memphis, Tennessee, and Helena, Arkansas, via barge line to New Orleans, which would seem to indicate in my opinion that if there is any free cotton to these points the barge line would get it at its rate of 11.5 cents per 100 pounds under the rates carried by the rail route. Besides, there are the routes of the Illinois Central and Yazoo & Mississippi Valley operating from these two points to New Orleans at the same rate, 76.5 cents.

My third proposal, if either proposal number 1 or proposal number 2 are not accepted by the Commission, then we are willing to let the Missouri Pacific increase the local rates on cotton from this particular section in Arkansas to Galveston and leave the present rates to New Orleans from this same section undisturbed because of the small amount of cotton involved from this branch of the Missouri Pacific which would move to Galveston, and the further fact that the rates to New Orleans via rail, as well as the rail and barge routes are today so much lower than the rates applying to Galveston that Galveston does not draw very much cotton from this particular branch of the Missouri Pacific. This would remove all Fourth Section difficulties.

Pages 19 and 20 of this exhibit is a statement showing the present local depot delivery rates on cotton compressed in transit at carriers' expense from representative points in Louisiana to Galveston, Texas, and New Orleans, Louisiana. The rates to shipside for export or coastwise movement beyond are 5 cents per 100 pounds higher than the rates shown here. The rates shown on page 19 apply from points in Louisiana where the Commission in Docket 11,965 and I. & S. 1858 said that the rates to Galveston should be 5 cents per 100 pounds higher than the rates published at New Orleans. The carriers, in many cases, however, published

differentials in favor of New Orleans much more than 5 cents from this section.

On pages 20 and 21 are representative points in the territory of Louisiana from which the Commission fixed equalization Galveston with New Orleans. It is shown we have the same rates from this territory. He took some of them [fol. 753] that are not equalized Galveston 5 cents higher.

Page 22 is a map of the state of Louisiana. The blue pencil figures are the local rates to New Orleans, while the black pencil figures are the local rates to Galveston. This exhibit 22 should be considered in connection with the map of Arkansas, exhibit 18, and further demonstrates the territory that would be involved in this alleged Fourth Section difficulty about which we were speaking when we discussed exhibit 18, and what I said in respect to the Arkansas situation will apply with equal force to the territory in Louisiana located on and east of the Missouri Pacific Railroad running from Kimball, Arkansas, to Alexandria, Louisiana. I think the tariffs were simply filed by the barge line which held concurrences of the rail carriers in Arkansas. There would be no meeting from Memphis of that rate by all rail line.

On page 23 is a comparative statement showing total terminal charges including switching, unloading and wharfage charges at these three ports, Galveston, Houston and New Orleans, which shows that at Galveston the total is less than at Houston, while at New Orleans the total charges are slightly less than at Galveston. There is no reason why they should take the difference in the wharfage charge than a difference in the switching charge; the switching at Houston is twice as great as at Galveston, much more than offsetting any difference in wharfage charges in one case or another. The switching at New Orleans is greater than at Galveston, which, of course, offsets the difference in the wharfage in New Orleans versus Galveston. The coastwise steamship lines operating out of Galveston absorb the wharfage charges. They have no wharfage charges assessed on cargoes moving via the Morgan Line or Mallory line. At New Orlans there is a wharfage charge of three-quarters of a cent per 100 pounds on coastwise cotton moving over the city dock.

At page 24 is a comparative statement showing separately the switching charges per car, as well as in cents per 100 pounds, the handling charges, the wharfage charges, as well as the total terminal charges, including switching, handling and wharfage at Houston and Galveston, Texas, [fol. 754] and New Orleans, Louisiana, on various representative commodities moving for export and import through those respective parts to and from shipside under equalized rates. The purpose of the last page is to show on other commodities there is no difference made in the shipside rates, because there is a different wharfage charge. I suggest that the carriers fix their shipside rates to Houston in the case of cotton moving from Texas and Oklahoma and to New Orleans in the case of cotton moving from Arkansas and Louisiana and then preserve the equalization in the shipside rates to Galveston, and then to have the present equalization between the southern ports on shipside rates. Wherever the line haul rates are equal today the shipside rates are equalized today. There is no difference in the shipside rates today from Texas common points to Houston and Galveston shipside, because of the fact at Houston there is 1 cent wharfage on cotton delivered by barge to the ship at Houston. From points in Oklahoma there is no difference in the shipside rates to Galveston, Houston and New Orleans, because of the fact that New Orleans happens to have three quarters of a cent wharfage and Houston and Galveston have 2 cents wharfage on cotton going over the dock. We want that equalization in the shipside rates continued, and likewise when you come to Louisiana and Arkansas, the rates to New Orleans to shipside should be fixed, and wherever the rates today are equalized on New Orleans, Galveston and Houston, continue that equalization. The present domestic rate Shreveport to all Texas ports is 80 cents. Under the one rate plan that makes the rate 83 cents all the way around. At New Orleans the railroads do not absorb the loading charge which is 6 cents a bale practically over 1 cent per 100 pounds, that added to the three-quarters of a cent will bring it up to practically 2 cents if they do not absorb today out of their domestic rates. At Houston and Galveston the railroads today do absorb the two cents unloading charges. That would bring it over 5 cents per bale. My exhibit A-153 is a statement showing

the size and dimensions of the various shipside warehouses owned and operated by the Galveston Wharf Company at Galveston, Texas. The steamship agents accept and receipt for cotton delivered in these shipside warehouses and I will state further that the Galveston Wharf Company un- [fol. 755] loads the cotton from the cars and delivers same to the steamship agents at these warehouses and the railroads allow the Galveston Wharf Company 5.5 cents per bale for performing this unloading service. This is authorized in A. C. Fonda's I. C. C. 175. The average width of pier 39, for illustration, warehouse pier 39, is 205 feet, to which should be added a 35 foot apron making an average width from the ship's hatch to the farthest wall in the warehouse 240 feet, which is approximately the same width as the Long Reach plant and Anderson Clayton Company shipside warehouse. It is wider at many places in the ship's berth from some places in the warehouse.

My Exhibit A-154 is a comparative statement showing the present domestic and export rates on cotton compressed in transit at carrier's expense from representative points in Texas, Oklahoma and Arkansas to Galveston, Texas, New Orleans, Louisiana and Savannah, Georgia. My exhibit A-155 is a statement showing present through joint rates on cotton compressed in transit from representative Louisiana station on the Vicksburg, Shreveport & Pacific, Chicago, Rock Island and Pacific, Louisiana & Northwestern and Louisiana & Alabama Railroads, to representative southeastern mill points; also the combination rates applying to and from New Orleans from and to the same points. I have also shown the rates, local rates, applying to and from New Orleans as well as the proportional rates applying beyond New Orleans on cotton originating west of the Mississippi River where no through rates are in effect. My exhibit A-156 is a statement of the cost of delivering cotton to the railroad cars from the compress and to the tracks at Galveston which is concentrated and handled in the Galveston Compress & Warehouse Company at Galveston, known as the Moody warehouse. This exhibit was prepared at my request by the Superintendent of that facility, and he was unable to come to Galveston, although I expected to have him testify at Houston. I do not know

whether or not it is operated entirely in the same manner as at Kempner's, as far as coming up and picking up the cotton at the same place is concerned. I do not know how close it can be delivered to the tracks. I am certain that they run the truck through the warehouse (R. 3674). There can be no possible chance of discrimination or preference [fol. 756] under the Galveston Wharf Company's Tariff I. C. C. 28. There will be no change in the opposition of that privilege under the one rate plan, because the shipper, in order to avail himself of that privilege, must pay at the outset the one shipside rate (R. 3675). Under the one rate plan there will be no 12¢ penalty upon cotton which today passes the compress on flat cotton received at the port for this reason: we will take a shipment of cotton orginating in a town in Texas from which the rate to Houston today is 65¢ per 100 pounds. Let us assume on that cotton that the receiver at Houston pays 65¢ per 100 pounds, plus the cost of compressing that cotton, plus the cost of getting that cotton delivered to ship's berth. We will say it is 3½c. The total transportation cost is 68½ cents. He does not declare it for export today, but just pays the 3½¢ switching and other transportation costs to get it to shipside. He treats that as two different shipments into Houston and out of the warehouse at Houston to the ship's berth. Assuming the one rate plan is finally adopted, and as a result the carriers are permitted to increase this domestic rate on flat bottom to Houston to 67 cents, we will say for the sake of argument. The receiver of that cotton at Houston from the same point will pay 67 cents. He will compress it at his own expense, as he does today, and he will deliver it to shipside, as he does today, at 3½ cents per 100 pounds additional, and he will not declare it for export, the same as he does not do today. There will be no 12¢ penalty assessed against that cotton. The only additional charge that will be assessed will be in the increased rate that will be permitted in order to bring about the one rate plan, assuming that it is either two or two and one-half or three cents per 100 lbs. I am assuming that the present rule applying to [fol. 757] flat cotton in Texas will be continued, that only the rates would be increased as a result of this one rate plan (R. 3677).

WITNESS J. K. MOORE RECALLED

After checking up the additions and making corrections on exhibit A-151, we find the average distance to be reduced from 58 to 57.4 miles. We found that the distance from El Paso on the Southern Pacific to the first compress point in line of transit to the port, is 619 miles, which resulted in materially increasing the average distance. Without that the average distance would be 55.5 miles. There is very little cotton produced in the intervening territory between El Paso and San Antonio; there is very little of anything produced in there.

Cross-examination:

The same compress point would appear on this exhibit as many times as it would be on the various lines that are treated in the exhibit. It covers all of the compress points in the territory affected, so far as we had a record of them. We had no record of Purcell, Oklahoma, being a compress point. I think it was at one time. We undertook to cover all of the railroads that serve any compress (R. 3680).

WITNESS E. H. THORNTON RECALLED

I desire to adopt the testimony of Witness I. M. Griffin, except that part relating to compress charges and compress services, with which I am not familiar. The Galveston Wharf Company, if the two-rate plan is continued in effect, has prepared to lease its shipside facilities, warehouses, etc., to cotton shippers and will erect suitable compress facilities adjoining, so as to enable those shippers who de- [fol. 758] sire to use the port of Galveston and the facilities at Galveston, to meet the competition of other shipside merchans located elsewhere (R. 3681). The Wharf Company officials feel rather reluctant to take this course, but if the two-rate plan is continued, the Wharf Company's policy will be to lease out these shipside piers and warehouses to cotton shippers at a nominal rental so as to place those cotton merchants who use the port of Galveston in position to compete with other shipside

merchants who are now getting an advantage in the rates on export and coastwise cotton shipments. That procedure would impair the value not only of the back of the water front compresses at Galveston and elsewhere, but also would seriously impair the interior facilities for concentrating cotton, because eventually if the two-rate plan is continued in effect all cotton is going to be concentrated at the ports, because of this advantage that there is under the two rate plan for the water concentrator. We are not seeking to gain the advantage of the interior concentrating points and we think that both the port and the interior concentrating merchants should be given an equal opportunity to compete with one another, but the wharf company officials have decided that if this two-rate plan is continued in effect they will lease the shipside facilities out to cotton shippers (R. 3682).

At New Orleans the charge paid for unloading cotton amounts to 6¢ per bale. That is a contract charge; it is not published in a tariff. The railroads at New Orleans, as I understand it, make a contract with a certain unloading contractor to unload this cotton at New Orleans. The unloading contractor makes a charge of 6¢ per bale. On the basis of 500 lbs. per bale that is equivalent to 1.2 cents per 100 pounds. That unloading charge at New Orleans is not absorbed out of the domestic rates applying on cot- [fol. 759] ton from the Southwest to New Orleans. Should we add to that figure of 1.2¢ per 100 pounds unloading the .75 (75 one-hundredths) cent per 100 lbs, wharfage at New Orleans, it brings the total terminal charges at New Orleans which are not absorbed today by the carriers out of their domestic rate, up to 1.95¢ or approximately 2¢ per 100 lbs. We request that the export shipside rate to all of those ports be made by adding a uniform figure of 2¢ per 100 pounds. At the Texas Ports the only charge that the carriers do not absorb is the item of wharfage, which amounts to 2¢ per 100 lbs. at Houston and Galveston. At the Texas ports the carriers absorb the unloading out of the domestic rate (R. 3683). The Galveston interests are not opposed to the penalty being assessed on flat cotton moving within Texas. It is the position of the Galveston interests that they want an adjustment of rates which will permit the cotton merchants to concentrate their cotton at

the ports; at the interior points or anywhere they may choose on exact equal terms, or an equal footing. It is our position that all cotton merchants should be permitted to compete one with the other on as near as (R. 3684) equal basis as possible, regardless of where they are located, whether at the waterside or at the ports or in the [fol. 760] interior. I do not recall stating in a letter to the Commission just after the hearing that we wanted an exception made if it passed the compresses at Houston going to Galveston (R. 3685). I do recall that I referred to cotton which originated at a point in Texas immediately adjacent to Houston, where there is no compress between that point and Houston. We felt that after the railroads had hauled the cotton from Palestine or south of Palestine on the I. & G. N. to Houston, 150 miles, if that cotton was destined to Galveston we thought it would be more economical for the railroad to haul it on through to Galveston, the final destination, without penalty, but we do not stake our case on that. We just made that suggestion to the Commission (R. 3686). I do not think that situation is the same as the man at Houston passing a compress 70 miles north of Houston. Where you are bringing in cotton from a point beyond Houston on a line that runs through Houston to Galveston, which cotton does originate between Houston and the next compress point beyond Houston, I believe the railroads themselves would bring that cotton on through and have it compressed at Galveston instead of switching it out of the train at Houston, because they have the option of pressing it at any compress en route between origin and destination (R. 3687). The shipper has the right in Texas today to direct that the cotton go through flat. We have no objection to depriving him of that right.

Cross-examination:

The Galveston Wharf Company could handle a substantial quantity of cotton with its facilities; we have more shipside facilities than they have at Houston. We have more warehouse facilities, taken as a whole. We could construct others adjacent to the compress piers (R. 3688). There was a movement on foot to construct a large warehouse adjoining pier #10 that would hold 100,000 bales of cotton if the two-rate plan is continued in effect. I

think their plans were to lease it to private cotton people so as to place them in a position to meet the competition of the waterside merchants located elsewhere. Aside from the wharf company's warehouse, the storage capacity of the cotton warehouses at Galveston is something over 1,000,000 [fol. 761] bales, when it is tiered. That would include the Cotton Concentration Company Warehouse on the Wharf Company's property, but it would not include what we call the shipside piers that are ordinarily used for general import and export cargo. I do not know how many cars per day we can handle in the terminals at Galveston, and unload at the warehouses. I have never made any investigation of that. We advised the Galveston Wharf Company that we felt this two rate plan would not stand up because it was not right; and we did not want to see the Wharf Company lease out its shipside facilities until after the Interstate Commerce Commission had finally decided that the two rate plan should be continued in effect. We decided that the two rate plan was wrong back in 1923 when we saw that certain interests at Houston were attempting to build facilities at waterside to take advantage of the lower domestic rate to the disadvantage of other cotton merchants. I understand that the Cotton Concentration Company operates cotton warehouses on the premises of the Galveston Wharf Company (R. 3690). They have several warehouses. Since 1923, the Cotton Concentration Company has built a long shed immediately back of piers 39 and 40, but not at shipside. The warehause used of concentrated cotton. There are a number of railroad tracks intervening between this new shed and the shipside facilities. There is a shipside compress on pier #10. The Cotton Concentration Company has also constructed what you might term an Office Building and a Receiving Shed immediately back of piers #37, 38, 39 and 40, which has heretofore been used by the Oklahoma Cotton Growers' Association. There are high density compresses between piers 39 and 40, but not at shipside. The warehouse used by the Cotton Concentration Company (R. 3691) for the storage of cotton back of pier 27 is separated from the shipside warehouse by several railroad tracks and the testimony of the Witness James, in this Record, shows that cotton from that facility is delivered to the steamship by drays.

I is impracticable to handtruck cotton to the adjoining pier and if there is a concentrating plant operated by the Cotton Concentration Company at Galveston, from which cotton is handtrucked and delivered to the Steamship Agent, on that cotton we say that the shippers are not entitled to any refund whatsoever for that handtrucking, or so-called plant service (R. 3692). I am speaking for the Cotton [fol. 762] Concentration Company in that instance. They are members of the Chamber of Commerce and the Cotton Exchange. George Sealy is President of the Cotton Concentration Company, and also President of the Galveston Wharf Company. He has discussed the matter with me, and I am expressing the conclusions reached by the officers of that Company, including Mr. Sealy. Some of our members handle cotton through the Concentration warehouses at Galveston and re-ship it to New England by water. (R. 3693). We have no shippers located at shipside in Galveston. The cotton is concentrated at what is known in this record as back of the water front warehouses and delivered to the coastwise steamship lines, the Southern Pacific steamship line and the Mallory Line, for re-shipment to New York and thence to the New England mills. That cotton is delivered to these steamship lines by dray or motor trucks to the same extent cotton is delivered to the trans-Atlantic steamers at Galveston. On cotton which comes into the warehouse flat at Galveston and is concentrated and compressed to standard density, I assume that the charge for compression is 60¢ per bale, the same as at Houston (R. 3694). I do not know whether or not that includes delivery to shipside. By constructing or leasing shipside facilities of the Galveston Wharf Company to cotton shippers who handle a sufficient volume of business to demand that the steamship agent brings his vessel to that particular facility those cotton shippers are getting aboard ship or would get aboard ship, at approximately 18 cents per bale less than other merchants not having a similar shipside location. The man back of the waterfront would either have to absorb that or go out of business or move to shipside. Mr. Kempner owns his own warehouse. He pays his own cost of getting to shipside, amounting to [fol. 763] about 20 cents a bale. He has to absorb the cost as compared with the waterside man at Houston except

on coastwise traffic. Up to the present time, the water-side concerns at Houston have not been able to persuade the vessels to come to their location and take the cotton, but as to export cotton, Mr. Kempner has to meet that competition from anybody who has that advantage over him at the present time. The Galveston Wharf Company controls the assignments of ships to berthing spaces at Galveston at the present time, but that arrangement could easily be changed (R. 3696). The President of the Wharf Company could change those rules whenever he wanted to; of course, with the consent of the steamship agent. At the present time they do not shift from one berth to another at Galveston for cargo. If they should lease the piers to the cotton shippers, the conditions would be changed. The cotton shippers would be the ones to negotiate with the steahship agent about coming to their berth and picking up 500 or 1000 bales of cotton. They would not attempt to lease the warehouse to cotton shippers and operate the pier or wharf themselves. They would lease the warehouse including the pier, to the cotton shippers (R. 3697). I suppose they could do anything they wanted to with the piers if they owned them. There has been no change in the situation as to the back of the water front warehouses at Galveston as contrasted with the situation when I testified previously in this proceeding. They are still paying the extra charge and getting to shipside as they were before. I do not think there has been any change in reference to the ones that did not have compresses in their warehouses. Most of them are delivering their cotton to shipside standard density. They are shipping the majority of their cotton standard density instead of high density. They do not handle much flat cotton. It takes up too much room in the warehouse and is more expensive to handle (R. 3698). [fol. 764] There is some flat cotton moved into Galveston; I do not know how much. We do not regard it as undesirable traffic to the Galveston Cotton market. Merchants tell me that the majority of the flat cotton handled at Galveston is what is known as factors' cotton. We have, we believe, one of the largest cotton factors in the state at Galveston, W. L. Moody Company, who do strictly a factorage business. That Company handles a very large amount of factors' cotton. They tell me something around

100,000 bales a year. They do not buy or sell cotton (R. 3699). Kempner does both kinds of business, factorage and merchants' business, but his factorage business is very small as compared with his other cotton business. In regard to the rules of the Stevedores' Union as to the movement of cotton 200 feet from the hatch, I am informed that they take an air-line from the ship's hatch under that rule. If there is additional lateral trucking involved in order to get back to the ship, the shipper is not concerned with it, and if the ship is called upon to pay any extra trucking, the shipper is not concerned with that. The switching rate of $1.80 shown in Exhibit A-152 is the switching rate promulgated by the Railroad Commission of Texas, applicable throughout the State of Texas. I am not in position to say what the cost is. I am simply showing the published charge and the absorptions made by the connecting carriers of the published switching sharge. The I. & G. N. do not assess this switching charge when it comes in on their own line. The Gulf Coast Lines would pay the I. & G. N., as I understand it, $1.80 per car for switching it to McFadden's warehouse. The same relative situation would exist at any up town warehouse to a more or less extent (R. 3702). Our Steamship Agents advise us that there has been a substantial decline in the movement of cotton through Galveston on through export bills of lading in the [fol. 765] past four years, that the movement has been on port export bills of lading, and the cotton people tell us that is because the foreign buyer prefers a ship's bill of lading for his cotton because he knows his cotton is on board that ship. I do not know whether or not shipments to British markets can be made on through bills of lading. On page 16 of the exhibit I show the rail and barge rate on cotton from points in Arkansas to New Orleans in order to show the advantages New Orleans has over Galveston in the matter of rail and barge routes and to contrast (R. 3703) that with New Orleans' protest about no change in the relationship of the rail rates Galveston versus New Orleans from Arkansas. I have protested to the carriers against the advantage that New Orleans has in the rail and barge adjustment, without any result. Others have also protested including the Houston people. I do not think the one-rate plan would destroy port competition. If the

port markets were destroyed, that would be just as disastrous as if the interior markets were destroyed. I think we need both, but I take the position that the one-rate plan would not destroy the port market (R. 3704). I do not recall having ever advocated to the railroads, or in any way, the imposition of a charge for the interior concentration privilege on cotton. I know of no reason why the port concentrators and the port merchants can not survive on an equal opportunity with the interior (R. 3705). During the railroad administration there was a question raised as to the charge for second concentration at interior points, and at that time I advocated such a charge. It is our idea that by leasing the wharf facilities at Galveston to private interests, under the two-rate plan, it would not only protect the port, but it would protect those cotton shippers who use Galveston as a concentrating point in meeting the competition of other merchants who have shipside location and who are now getting cotton to the ship on a domestic rate. [fol. 766] I think the cotton shipper himself should operate the facility in order to get the shipside advantages, but I would not say in all cases (R. 3706). I do not think that the back from the waterfront concentrator who high densities cotton is not at any disadvantage as against the shipside man. He is in fact paying 57¢ for compression and 18¢ to get to shipside though it is quoted in one lump sum for convenience. When a shipper has cotton high densitied at Galveston and does not want it delivered to shipside, he could have it high densitied for 57¢ per bale if he would take possession of it at the compress. The compresses will do that (R. 3707). Before 1923, they made a certain charge for high densitying cotton and whether they quoted it separately from the shipside delivery charge or in one lump sum concerned only the shipper. I could not say just what the charge for high density compression at Galveston was before the 1923 season (R. 3708). I believe at the time of the last hearing in 1923, that the combined charge for compression and delivery to shipside was 72½¢ per bale. They have raised that to 75¢ per bale, which gave them 5/10¢ increase on their charge for compression. The charge for delivery to shipside has remained constant. They have never absorbed the cost of delivery to shipside. They have always charged for it. The

compresses at Galveston do not operate dray lines of their own. They pay the dray 18¢ per bale to take that cotton to shipside. What they are really doing is charging 57¢ per bale for compressing the cotton and for convenience they are paying 18¢ for the shipper to deliver that cotton to shipside and collecting it back from the shipper. If the one rate plan goes into effect, there will be no change in the charge at Galveston. I could not say about Houston (R. 3709).

[fol. 767] At the present time, there is no cotton hand-trucked to the ship at Galveston. It is all handled by motor truck or by drays (R. 3716). It was impractical to deliver the cotton to the ship. The ships at Galveston do not do a jitney service like they do at Houston. The ships berth at one berth and the exporter has to deliver all of his cotton to that ship at that berth. If you compress cotton at pier #10 and the ship is at #34, the ship will not come down to pier #10 for it. You will have to transport it from pier 34 to pier 10. To that extent, the situation has changed since the first hearing. There is no longer any cotton handled by hand truck from the high density compresses to the ship's berth. According to the information given by Mr. James, the superintendent of the Cotton Concentration Company, no Galveston facilities do that (R. 3717). Under the one rate plan, if there is any cotton trucked from the storage to the ship or from the compress to the ship, it must be considered as plant service, and the owner of that cotton is not entitled to claim any refund from the railroad because of that plant service (R. 3718). It is a debatable question as to whether the rates were ever intended to include the cost of granting second concentration. The first time second concentration was ever established in Texas it was established in Houston to equalize the Houston merchant with the merchant at Galveston, because at that time Houston was not a port and Galveston enjoyed second concentration free in getting cotton to the vessel. They made a charge of about 3¢ per 100 lbs., which exactly represented the drayage cost at that time from the back of the water front warehouses at Galveston to shipside (R. 3719). Nothing was put in the line haul rate proper. You might say that we get 50 miles of rail service at a charge not exceeding the cost of drayage within the city limits of

[fol. 768] Galveston, but, of course, that was a second concentration privilege. It is a fact that the same steamships serve both Galveston and Houston. They make arrangements with companies owning the wharves at both ports but the custom of shifting is not the same at both ports. Possibly if we would bring pressure to bear upon the steamship agents we might change that custom, but we have not done it so far (R. 3720). It is my understanding that the Galveston Wharf Company acquired the stock of the Shipside Density Compress Company rather than purchasing the properties and that the Shipside Density Compress Company still operates its compresses, and they are not operated by the Galveston Wharf Company (R. 3721).

WITNESS H. B. CUMMINS:

I am Assistant Chairman of the Texas Louisiana Traffic Bureau, Dallas, Texas. I am representing and testifying in this case for all of the Texas Lines.

(Mr. Fulbright and Mr. Reed waived the qualifications of the witness.)

The one outstanding fact in these cases is that there is a serious dispute between cotton merchants. Originally it was the merchants back of the water front at Galveston versus the merchants on the water front at Houston, but the interior merchants intervened, so now the dispute is between Galveston and interior merchants and water front merchants at Houston on the other hand. There are also (R.3722) some back of the water front merchants at Houston who are on the side of Galveston and the interior. The goal sought by each of these three classes is to put a bale of cotton on board ship at the port, and each expects an adjustment of rates or an application of transit privileges that will permit him to do so, at no greater expense than is borne by the others. On the question of a one-rate plan [fol. 769] versus a two-rate plan, the sole interest of the carrier for whom I speak is the preservation of their revenue. The Texas Lines are taking a position of neutrality so long as the question is one-rate plan versus two-rate plan and no additional services are demanded of the carriers.

Prior to the advent of the waterfront concentrator, everybody, both concentrators and the railroads, was satisfied with the two-rate system (R. 3723). The two-rate plan was approved by the Commission in the Louisiana Cotton case in Docket 11965, because it effected a parity of cost as between the interior concentrator who used rail service up to shipside, and the port concentrator who used drays or similar service from his plant to shipside, and the difference between the local rate and the shipside rate was measured by the cost of handling from the port concentrator's plant to shipside. The very character of this adjustment demonstrates that it was founded on the concentration privilege. The concentration privilege accorded the interior concentrator was the basis for the port concentrator's demand that the rates be so adjusted as to permit him to ship cotton by rail into his plant and out of his plant to shipside at no greater cost in the aggregate than was paid by the interior concentrator (R. 3724). In this discussion, interior merchants will be referred to as interior concentrators; back of the water front merchants will be referred to as port concentrators; water front merchants will be referred to as water front concentrators. This plan worked satisfactorily until the water front concentrator arrived. When the water front concentrators arrived, the carriers were confronted with two accusations, namely: #1, by the port concentrator at Galveston; that he was unduly discriminated against because the water front concentrator was paying the same inbound rate that he paid and was getting his [fol. 770] cotton to ship without additional cost. #2, by the interior concentrator; that he was unduly discriminated against because the railroads charged him 3½¢ more to get his cotton to shipside than his competitor, the water front concentrator, was paying. As a solution of the dispute, the port concentrators at Galveston suggested that the carriers assess the shipside rate on all cotton delivered to the plant of the water front concentrator. As an alternative, Galveston urged that if the two-rate plan should be supplanted by a one-rate plan, the carriers be required to grant a free second concentration for the benefit of the port concentrator, to the end that he might go to the interior concentrating points, purchase first concentrated cotton, ship it to his plant at the port, remerchandise it and ulti-

mately get it aboard vessel at no greater transportation cost than would be borne under a one-rate plan by the interior concentrator on cotton accorded one concentration in the interior. The Commission's language on that point was that they did not think that request of Galveston was reasonable (R. 3725). The interior concentrators have never subscribed to the alternative proposition of the Galveston port concentrators.

The carriers certainly have vigorously opposed the granting of a second concentration free at any point on the following grounds (R. 3726):

First, because it contributes in no way to operating economy but on the contrary destroys such economies as are accomplished by first concentration at the interior compress points.

Second, because it is of benefit only to the merchant or concentrator using it.

Third, because one concentration affords ample opportunity for the assembling of round lots of even running grades and staples.

[fol. 771] The first concentration in the interior takes place at the points where compression is accomplished. Therefore, we have three elements of economy entering into the first concentration in the interior, namely:

(a) Increase in density of the bales, which permits heavier loading of cars.

(b) Assembling of the cotton into round lots, which also tends to increase the average carload (R. 3727).

(c) A decided reduction in the number of cars that must be handled at the mixed platforms at the ports. Witness Pecot's exhibit #104 shows that cars loaded at interior compress and concentrating points with strictly concentrated, compressed cotton, contain on an average of 72 bales, as compared on an average load of 63 bales on compressed in transit cotton that is not concentrated, and a general average load of 67 bales on all compressed cotton, concentrated and not concentrated. We have shown by the

same witness that of the straight carloads of the interior concentrated cotton only 10.5% have to be handled through the mixed platform at the ports, and that 43% of straight carloads of compressed in transit cotton have to be handled through the mixed platforms at the ports. It is up to the carriers to get the heaviest possible loading of compressed in transit cotton consistent with expeditious service and the minimum idleness of equipment, but the fact that we get a greater average load on the concentrated cotton than on the compressed in transit cotton, and the further fact that the concentrated cotton involves considerably less mixed platform handling in the ports, convinces us that interior concentration at the compress points is of benefit to the carriers. There could not, however, be any further contribution to economy in transportation by splitting (R. [fol. 772] 3728) the haul from the first compressing and concentrating points to the ship into two pieces. Actual number of bales of compressed cotton received by rail at interior compress points will show precisely how much cotton is compressed at one point and subsequently concen- [fol. 773] trated at another, and our investigation developed the fact that only 48,775 bales of compressed cotton were received by rail during the 1924-25 season by 76 interior compresses, out of a total of approximately 5,000,000 bales (R. 3729). Those 76 compresses were in Texas only. The port concentrator who demands a free second concentration at the port in the event a one rate plan is established overlooks two important facts: First, it is a waste of transportation to allow another stop with the attendant unloading, reloading and switching of cars between the interior points of compression and concentration and the ship. Second, he gets a free concentration simply because the interior concentrator has it, and not because of any economy in transportation contributed by the handling through his facilities at the port. When a car of cotton reaches the port, the full line haul service has been performed, and all the shifting around that may be accomplished within the confines of the destination rather increases than diminishes the cost to the carrier of handling the traffic (R. 3730). Whether or not the carriers revenue will be increased by a split between the present shipside and local delivery rates would depend in large measure upon the (R. 3730) amount

of cotton that such port concentrators would purchase from interior concentrators and actually handle through their plants. Nobody can foretell what this amount would be under a one rate plan, but if a disadvantage of 3½¢ per 100 lbs., such as the port concentrator alleges he is now suffering, is sufficient to enable the port concentrators' competitor to control the business, we may assume that the interior concentrator will ship all of his first concentrated cotton rather than sell a portion of it to the port concentrator. I admit that this is conjecture, but it is extremely important for the commission to do some guessing on the proposition, because this is the one uncertain and indefinite element to be reckoned with in calculating the effect of a one-rate plan on the carriers' revenue (R. 3731). A shipment of cotton that is accorded first concentration at Dallas, transported under first concentration at Galveston and delivery made to Mr. Kempner's plant back of the water front, is assessed the 80¢ rate per 100 lbs. and Mr. Kempner [fol. 774] receives 1¢ per 100 lbs. for unloading, leaving the carrier 79¢, and no further service to perform. If Mr. Kempner elects to have the carrier perform the further service under second concentration, the carrier first sets the rate up to 83½¢ the shipside rate and collects in addition a charge of 3½¢ for the second concentration privilege, the total charge paid by Mr. Kempner being 87¢. Of course, Mr. Kempner would not do that when he can dray the cotton to the ship for about 3½¢, and thereby make his total cost 82½¢. Under a one rate plan with only one free concentration, assuming the rate from Dallas to Galveston would be 83¢, Mr. Kempner would pay the 83¢ to the railroad and claim the refund of 1¢ for unloading, leaving the carrier 82¢ and no further service to perform. If his drayage cost him 3½¢, his total out-of-pocket cost would be 85½¢. If Mr. Kempner elects to have the carrier perform the service from his plant to the ship, he would pay the 83¢ rate, plus 3½¢ second concentration charge, making his total out-of-pocket 86½¢ (R. 3732). Thus, the carriers would get 87¢ today if they performed the service to shipside, but under a one rate plan they would get 86½¢. By not performing the service the carriers now get 79¢ net, the difference between 82½¢ and 3½¢, giving an advantage of 3½¢ over the interior man. But

under a one rate plan, they would get 82¢ if they do not perform the service. If a free second concentration is granted, and the one-rate is 83¢, the carrier, after paying a drayman 3½¢ to perform it will have left in his pocket 79½¢, or only 5/10¢ more than is now earned without the performance of the additional service. My Exhibit #A-157 is a picture in figures of this second concentration dilemma (R. 3733). We actually pay 20¢ for drayage, but I have used 3½¢ here because that is the difference in the rate and is the figure talked about in this proce-ding (R. 3734). I expect if we put in the two rate plan, the draymen will boost their charges and we will have to pay them or do it ourselves (R. 3735). There has never been a free second concentration privilege on inter-state traffic in this territory. The Galveston and Houston Lines did, however, sometime prior to the year 1917, establish a second concentration privilege at Houston, and Texas City on cotton re-shipped to steamships at Galveston at a charge of 3¢ per 100 pounds. The Texas Lines Tariff #29, A. C. [fol. 775] Fonda's I. C. C. #44, which took effect September 13th, 1917 and cancelled individual tariffs of several port lines, provided for the second concentration privilege at Houston and Texas City. The 3¢ charge represented the approximate cost of drayage from plants back of the water front at Galveston (R. 3736). Houston's interior inland concentrators got 50 miles of rail service for 3¢ per 100 pounds. Item 40 of Texas Lines Tariff #17-D, which bears A. C. Fonda's I. C. C. #135, does provide for a free second concentration at Houston, Beaumont, and Aransas Pass on Linters under the intra-state tariff of the Railroad Commission of Texas, and my explanation of this unimportant item is that it must have been overlooked during the Federal Control period. Originally the item applied on both cotton and linters, intra-state, hence I think the history of the item will throw some light on the proposition. Prior to August 12th, 1915 there was no such thing as a second concentration privilege on Texas intra-state traffic. Effective August 12th, 1915, Railroad Commission of Texas Circular #4811, established a free second concentration privilege at Houston, Beaumont, and Aransas Pass and at any port where the port was the destination. In other words, Houston, Beaumont and Aransas Pass concentrators who

received cotton or linters that had been previously concentrated in the interior were allowed a second free concentration, so that they could move such cotton to the deep water ports of Galveston, Port Arthur, and Port Aransas, and (R. 3737) escaped the payment of the full local rate to the port, also concentrators at the deep water port, who received cotton that had been concentrated in the interior were allowed a second free concentration so that they could move cotton from the local warehouse to water front plants at the expense of the railroads. Houston, Beaumont and Aransas Pass were not then deep water ports. At the time the free second concentration was established by the Texas Commission, the local rate from Houston to Galveston was 6¢ on compressed cotton. It was a depressed rate to meet water competition to Buffalo Bayou. Prior to the issuance of Railroad Commission of Texas' Commodity Tariff #1-G in September, 1914, the Texas common point cotton rates were on a mileage scale extending out to 160 [fol. 776] miles and reaching a maximum rate of 45¢, but the (R. 3738) rates to Galveston were constructed by adding a differential of 6¢ per 100 lbs. on compressed cotton to the mileage or maximum rate applying to Houston. This differential of 6¢ was the same as the depressed local rate applying from Houston to Galveston, so that as a practical matter a shipment of cotton concentrated in the interior, shipped to Houston, and later reshipped to Galveston under the local rate paid the same aggregate transportation rate as a shipment moved direct from the interior concentrating point to Galveston. Likewise cotton concentrated for the first time at Houston and reshipped to Galveston paid the same through rate as cotton concentrated at any other interior point. I believe also that the rate to port Arthur was made similarly over Beaumont and the rate to Port Aransas was made similarly over Aransas Pass. When the Railroad Commission of Texas abolished the hard and fast differential basis of rate making on cotton to Galveston and extended the mileage scale of rates out to 210 miles, where it reached a maximum of 51¢ in September, 1914, the result was that through rates based on the scale to Galveston, became lower than the combination of the scale rate to Houston and the local rate from Houston to Galveston except from a few nearby points. This re-arrange-

ment of the method of rate making to Galveston, (R. 3739) no doubt entered into the free second concentration proposition at Houston. At any rate, there was restored to Houston merchants and warehousemen a privilege that formerly existed as a result of the combination basis of rates to Galveston, and that arrangement and the mileage scale on basis of rates through Galveston reduced the cotton rate on hauls under 210 miles from Houston, on cotton moving to Galveston. There was an exception in the cases of a few short hauls — nearby points, where the combination continued to make the rate. During the Federal Control, the Dallas Cotton Exchange applied to the Dallas District Freight Traffic Committee for the establishment of a second concentration privilege at interior points. I find that that proposition was predicated on the fact that the ports had it, and the further fact that Houston and inland points, had it. The proposition was vigorously opposed by (R. 3740) Galveston, Houston, Texas City, and New Orleans. [fol. 777] The Galveston interests submitted data showing that the cost of transferring cotton by truck from warehouses to vessels at Galveston was approximately 5¢ per 100 pounds and this figure was accepted by the Dallas Committee as the measure of a second concentration charge, calculated to equalize interior and port concentrators. Application was made by the Dallas Committee to the Director General for a freight rate authority authorizing a uniform second concentration privilege at all points, and a uniform charge of 5¢ at all points, and as a result of this application the Director General issued Freight Rate Authority #12,662, corrected. Upon its receipt by the Dallas Committee, Secretary A. C. Fonda, filed an application with the Railroad Commission of Texas for similar authority covering non-Federal Lines, and this application was granted by the Railroad Commission of Texas Circular #5279. As a result, the intra-state tariff, Texas Lines tariff #17-B, A. C. Fonda's I. C. C. #71, was amended by establishing the second concentration privilege at the charge of 5¢ per 100 pounds, effective October 28th, 1919, as indicated by Item 247-B, Supplement 3, to the tariff mentioned (R. 3741). The inter-state tariff governing the concentration at Galveston, Houston and Texas City to-wit Texas Lines Tariff #29, A. C. Fonda's I. C. C. #44, was amended

for account of Federal Lines, effective October 18th, 1919, as indicated by Item 60-B, Supplement #9. Texas City was served only by the Texas City Terminal Company, a non-Federal Line, and in order to increase the transit charge from 3¢ to 5¢ on inter-state traffic at Texas City, permission under the amended 15th Section had to be granted by the Interstate Commerce Commission. Such permission was given by Fifteenth Section Order #2018, corrected, dated November 15th, 1919, and the charge for second concentration at Texas City on inter-state traffic was increased from 3¢ to 5¢ effective December 3rd, 1919, as shown in Item 60-D, Supplement #11 to A. C. Fonda's I. C. C. #44. My Exhibit A-158, consisting of 6 pages, reproduces Railroad Commission of Texas Circulars Nos. 4614, 4811, and 5279, and Rate Advice #4809, issued by the United States [fol. 778] Railroad Administration, Division of Traffic, Western Territory, Western Freight Traffic Committee, dated Chicago, Illinois, September 6, 1919 (R. 3742).

Under the Ex parte 76, and Docket 11,764, the charge for second concentration became 7¢ per 100 lbs., and, (R. 3743) the 10% reduction on July 1, 1922, reduced it to 6½¢. The charge remained 6½¢ until January 20, 1924, when it was reduced to 3½¢ on both State and inter-state traffic. Railroad Commission of Texas Circular #6079, dated December 28, 1923, approved the reduction from 6½¢ to 3½¢. Individual inter-state tariffs of some of the carriers published the reduction effective December 18, 1923, and various other dates, but most of them observed January 20, 1924 as the effective date. The 3.5 charge was predicated on the approximate cost of drayage at Galveston as was the 5 cent charge originally fixed. At the regular monthly conference of the carriers and shippers during the month of August 1923, where the subject was discussed, no objections were offered by either interior or port cotton people. The United States Railroad Administration Rate Advice #4809 does not specifically mention Linters in connection with the charge of 5¢, and Railroad Commission of Texas Circular #5279 makes a separation of the cotton and linters item. This explains why the original second concentration rule fixed by the Railroad Commission of Texas in Circular #4811 still stands in the tariff on linters only. I feel reasonably certain that the privilege on linters is not

used extensively, and I gravely doubt that second concentration is ever applied.

Exhibit A-36, showing the number of bales of cotton compressed in transit not concentrated, and the number of bales concentrated during the cotton season ending July 31, 1923, 1924, and 1925 at points on the principal Texas Lines, [fol. 779] represent 85.1% of the total mileage of the Texas Lines (R. 3745). The total Texas mileage, of course, includes the mileage of a number of large terminal companies, such as the Ft. Worth Belt, Galveston Wharf Company and others, and if I had eliminated all of the terminal companies from the total mileage, Exhibit A-36 would have represented considerably more than 85.1% of the total. My Exhibit A-159 was prepared to show more clearly the mile-[fol. 780] age and compress points represented by Exhibit A-36. After showing the total cotton handled by all lines, included in Exhibit A-36, I deducted the Oklahoma, Arkansas, and (R. 3746) Louisiana cotton in order to arrive at the number of bales of Texas Cotton. Of the Texas Crop, the Exhibit accounts for 1,693,734 bales in 1923; 2,185,370 bales in 1924, and 2,732,483 bales in 1925. These figures cover compressed in transit and concentrated shipped to all destinations. The figures shown in the composite statement on page 4 do not include city cotton, originating at compress points. That is shown in the statement of the several lines included in Exhibit A-36, but I did not include it in the composite statement. Exhibit A-160 is the Texas Midland Railroad's Exhibit covering compressed in transit and concentrated cotton. It is similar to those of the lines included in Exhibit A-36, and shows in addition the cotton that originated at compress points, which is defined as net cotton. All of this is Texas cotton. The total mileage of the Texas Midland Railroad, as shown in table 1, page 328, of the 1924 Annual Report of the Railroad Commission of Texas, is 159.67 miles (R. 3747). The amount paid to compresses by the carriers in Texas for compressing transit cotton has always been fixed by the Railroad Commission of Texas, or to state the matter otherwise the Railroad Commission has prescribed the rates and fixed the amount of the compression cost to be assumed by the carriers. Prior to the year 1918 for 20 years or more, the amount of the compression cost assumed by the carriers was 10 cents per 100 pounds until the increase was

made in 1918. During the year 1918 the Price Fixing Committee of the War Industries Board made an investigation of the charges made by the compresses for their service of compression and as a result of that investigation a charge of 15 cents per 100 pounds was fixed as a reasonable charge for the service. The witness offered in evidence his Exhibit A-161 which reproduces Rate Advice No. 961 of the United States Railroad Administration, Division of Traffic—Western Territory, Western Traffic Committee, dated Chicago, Illinois, December 3, 1918. He introduced his Exhibit A-162, reproducing Special Permission No. 47588 of the Interstate Commerce Commission dated December 12th, 1918. [fol. 781] Pursuant to the Railroad Administrations Freight Rate Authority No. 2935 the substance of which is reproduced in Exhibit A-161, and Authority No. 8 issued to A. C. Fonda under date of December 13, 1918 by the Railroad Commission of Texas, Texas Lines Tariff No. 17-A, A. C. Fonda's I. C. C. No. 54 was amended effective December 19, 1918 to provide an allowance of 15 cents for 100 pounds to compresses for their service of compressing cotton for the carriers. This amendment to the Texas Tariff was published in Item 220-A of Supplement No. 13. Authorities issued by the Texas Commission and the Interstate Commerce Commission's Special Permission No. 47588 were for the purpose of making the same allowance to compresses serving non-Federal Control Lines and had been granted compresses serving Federal Controlled lines by the Railroad Administration. The allowance of 15 cents per 100 pounds remained in effect until August 26, 1920 on which date it was increased 20 cents per 100 pounds by Railroad Commission of Texas Circular No. 5327 concurrently with the 33⅓ per cent advance in all freight rates. My Exhibit A-163 reproduces Railroad Commission of Texas Circular No. 5309 and 5327, the first two pages of which reproduce Circular No. 5309 showing the application of the carriers for an advance of 5 cents per 100 pounds in the Texas intra-state cotton rates that was predicated on the request of the interior compresses for an increased compression allowance. The application of the carriers to the Texas Commission shown on this exhibit No. A-163 came up for consideration on July 21, 1920, but the hearing was postponed to August 4, 1920 by Railroad Commission of Texas Circular No. 5314. There was then pending on the

Docket of the State Commission an application of the carriers for an increase of 35 per cent in all intra-state freight rates, corresponding with the general advance authorized by the Interstate Commerce Commission for Western Territory in Ex Parte 74. After the hearings on the carriers application, the Texas Commission, by Circular No. 5326 dated August 21, 1920 authorized an increase of 33⅓ per cent in all freight rates, and by Circular No. 5327 dated August 24, 1920 authorized the same percentage of increase in the compression allowance as made by the carriers. The [fol. 782] increased rates were published in Special Supplement No. 8 Texas Lines Tariff No. 17-B, I. C. C. No. 71, and the 20 cents compression allowance was published in Supplement No. 9 to the same tariff, effective August 26, 1920. The compression allowance remained 20 cents per 100 pounds until July 1, 1922 when it was reduced 10 per cent, concurrently with the reduction of 10% in the freight rates. Railroad Commission of Texas Circular No. 5575 dated June 19, 1922, fixed the compression allowance at 18 cents per 100 pounds effective July 1st, 1922 and publication of this allowance is made in Item 30-A, Supplement No. 11, to Texas Lines Tariff No. 17-C, R. C. T. No. 33, A. C. Fonda's I. C. C. No. 110. My Exhibit A-184, reproduces Railroad Commission of Texas Circular No. 5575. The Texas intra-state tariffs issued by the Railroad Commission of Texas, and the intra-state tariff publications issued by the Texas carriers pursuant thereto, have always shown the amount of the compression charge that is absorbed by the carrier, for the reason that the rates on cotton are so stated as will require the application of the absorption rule in determining the rate on a shipment to be compressed at the expense of the carrier. For example, the present Texas rate on cotton for 100 miles as stated in Item 405, page 29 of A. C. Fonda's I. C. C. 135 is 64.5 per 100 pounds, but in order to determine the rate that would be paid by the shipper and collected by the carrier on a shipment to be compressed at the expense of the carrier and transported 100 miles, the absorption rule, published in Item 30 series of the same tariff, must be applied. This rule now provides that when the rate is 74 cents or greater, the carrier shall assume the entire cost of compression, and when the rate is less than 74 cents but greater than 56 cents the carriers shall absorb the amount in which the rates ex-

ceeds 56¢. For this reason the carrier assumes 8½¢ per 100 lbs. of the compression charge and adds the remainder of the compression charge, to wit: 9.5¢ to the 64.5¢ rate and the result is 74¢ which is the rate paid by the shipper and collected by the carrier. All of the intra-state rates on cotton, including the cost of compression at the Texas Ports published in Texas Lines Tariff No. 17-B. A. C. Fonda's [fol. 783] I. C. C. No. 135 and previous issues, have been determined by the application of the compress absorption rule in the manner outlined, but in order to illustrate this intra-state compress absorption fully and its relation to the freight rate on cotton compressed at the carrier's expense, my Exhibit A-165 shows the present Texas scale of rates, the present compress absorption rule and the resultant rates on cotton, including the cost of compression. There is no authority for the carrier to charge a shipper more than 74.5 on a shipment transported 175 miles, for example. If the carrier should undertake to absorb less than 18¢ on such shipments, say 15¢, for illustration—the shipper would have to pay a total rate of 77.5 for his transportation and compression. On a shipment transported 160 miles the rule specifically requires the absorption of the amount in which the rate exceeds 56¢, and as the rate at 160 miles is 73¢ the minimum absorption if 17¢. The interstate rate tariff, that is the tariffs publishing export rates from Texas to Texas ports, have never specified the amount of the compression charge absorbed by the carriers. Specific rates, including the cost of compression, have been published and the rate tariffs made subject to the provisions of individual transit tariffs covering the absorption of compression charges by appropriate references as required by the rules of the Commission. These individual tariff publications were amended to reflect the advance in the compression charge in line with the United States Railroad Administrations' Freight Rate Authority No. 2935 and I. C. C. Special Permission No. 47588, in December 1918. When the inter-state and export rates were advanced 35% under Ex Parte 74 on August 26th, 1920, the carriers permitted their absorption of the compress charge to stand at 15 cents per 100 pounds in their individual tariffs for a short period. These individual tariffs were later amended, some on October 10th, 1920 and others on inter dates to increase the absorption to 20¢ in line with what the com-

presses were charging and what the Railroad Commission had prescribed on Texas intra-state traffic. During the p-riod that the compresses were charging 20¢ and the carriers absorbing 15 cents the shippers were required to pay [fol. 784] the difference, or 5¢ per 100 lbs. on interstate and export shipments, and this resulted in complaints from the Houston Cotton Exchange and Board of Trade, the Dallas Cotton Exchange and others. These complainants put their case before the Interstate Commerce Commission in Docket No. 14385, which was decided September 18, 1924 in favor of the complainants. My Exhibit A-166 reproducing the decision of the Interstate Commerce Commission in Docket No. 14385, 92, I. C. C., 220, which directed particular attention to the fact that the failure of the carriers to absorb the whole of the 20¢ compress charge for a short period subsequent to the 35% increase in rates was found to be unreasonable, and reparation awarded. When the 10% temporary reduction in rates on agricultural products was made permanent by the I. C. C. in Reduced Rates 1922, the Interstate and export rate tariffs were amended effective July 1, 1922, but the compress absorption rules published in the carriers individual tariffs were not amended to reflect a reduction of 10% in the absorption until July 15, 1922. The compresses having signified their willingness to reduce their charge to 18¢, and the carriers, through Agents Leland and Fonda, filed Sixth Section application with the I. C. C. seeking permission for the carriers to reduce their charge to 18¢, effective July 1st, 1922 on short notice. On June 29, 1922 the Commission issued Special Permission No. 59398 granting permission to reduce the compress absorption to 18¢ on 10 days notice, and the tariffs were amended accordingly, effective July 15, 1922. Pursuant to permission granted by the Railroad Commission of Texas during the hearing of the carrier's application for an increase of 35% in all freight rates in August 1920 the Houston Coton Exchange and Board of Trade filed its views concerning an increase in the charge for compressing cotton in writing. My Exhibit A-167 is a photostat copy of such written views made from the original in the Railroad Commission's public records. My Exhibit A-168 gives a complete history of the compression charge in Texas since June 24th, 1918 and the Texas Intrastate maximum rates, the intrastate rates out of which the full charge for compression

was and is absorbed by the carriers and the intra-state rate out of which no compression charge was and is absorbed. [fol. 785] Full tariff authority for all the changes is indicated on the Exhibit. The intra-state rate, fixed by the Railroad Commission of Texas on cotton from Texas points to Texas ports, fixes the maximum net rate that the carriers can collect on export and coastwise traffic. I mean that no matter what export rate the carriers undertake to establish and apply, the shippers can ship their cotton to ports take possession of it and move it to the ship at their expense if the cost to them by this method of handling is less than the spread or difference between export and domestic rates. The spread between export and domestic rates hereto fore maintained and now in effect has not resulted from any effort on the part of the carriers to make any less absorption of the compress charge on interstate shipments than on domestic shipments. If the carriers were to absorb less of the charge on export shipments than they absorb on domestic shipments, the result would simply be an increase in the spread between the domestic and export rate. So long as the intra-state rate limits the volume of the export rate there is no way for the carrier to absorb less of the compress charge on interstate shipments than they are required to absorb on shipments to the ports under domestic rates from Texas. The service of the compress in pressing transit cotton is the same on cotton moving under interstate rates as on cotton moving under domestic intra-state rate. It is a matter of general and common knowledge that the movement of cotton in the southwest is during the fall months when the traffic in general is heavier. Car loadings during the months of August, September, October, November and December greatly exceed the car loadings during the preceding months, and in order to illustrate this I prepared Exhibit A-169 showing the average weekly carloadings by months on a group of southwestern lines during the years 1924 and 1925. Cotton is not segregated—it is included in the miscellaneous. The object of the Exhibit is to indicate that the car loading during the cotton moving season is substantially heavier than during the other seasons of the year,—that is due to the fact that not only grain, but cottonseed products, and cotton are both moving approximately at the same time, and there is a heavier general movement of all traffic. The reason I did show cotton

[fol. 786] by itself, is that cotton is not segregated in the report in which he obtained the information. The figures shown on this exhibit do not include the loadings on the Southern Pacific Texas Lines, the Santa Fe Texas & Oklahoma Lines or the Rock Island Oklahoma & Texas Lines, for the reason that the figures covering these lines are included with the system figures in the reports of the American Railway Association covering the western district. My Exhibit A-170 show- the cars loaded by month during the years of 1924 and 1925 on the rails of the line serving Galveston and Houston. The increase over July during September, October and November 1924 were substantially greater than it was in 1925. There was a severe drought in some 50 odd counties in the central, west central and southern counties of Texas in 1925 and I believe this accounts for the fact that the actual carloadings in September, October and November 1925 were less than in 1924. The heavy movement of cotton is in September, October and November. Approximately 70% moves during these four months. The number of cars loaded on the Trinity & Brazos Valley Railway during the first four months of each year is materially increased by crude petroleum. Whether or not this is the case on other lines I cannot say for the reason that I did not have complete data from all the lines showing the details of loading by commodities. My Exhibit A-171 shows the trend of cotton production in Texas since the year of 1916. Pages 3 and 4 simply give in detail of production by countries during the years of 1916 to 1924 inclusive. Page 2 is a map of Texas showing the several countries and locations of compresses. The heavy blue line marks the boundaries of arbitrary group numbers 1, 2 and 3 which I have used to show the general trend of production. Page 1 shows the total production of the state during the years indicated. The number of bales produced in groups 1, 2 and 3 and the proportion of the total production produced in each group. On page 1, I have deducted from the state's total the aggregate production in unreported counties. I had to do that because the unreported counties are scattered throughout the three groups, and I had no way of knowing how many bales to credit each group. In Railroad Commission of Texas, Cause #2234 [fol. 787] I prepared or assisted in preparing, an exhibit which was introduced as E. H. Thornton's Exhibit #61,

showing the proportion of the Texas crop produced within various distances of Houston. By deducting the production in unreported counties and the production of counties not reported for each of the years 1919, 1920, 1921 and 1922, we arrived at the average yearly production of 3,045,207 bales. Of this average yearly production, we showed the proportions produced in various areas determined by distances from Houston as follows: Within 100 miles, 160,233 bales; within 210 miles and over 100 miles, 1,058,600; within 350 miles and over 210 miles, 1,223,159 bales; over 350 miles, 603,215 bales. All of the counties shown in group 2 on Exhibit A-171 are more than 350 miles from Houston. The years of 1923 and 1924 show a very substantial increase in production over the years 1919, 1920, 1921 and 1922. Group 2 does not include all of the countries that are more than 350 miles from Houston, but when this group alone produces more cotton than the average production of all counties more than 350 miles from Houston, during the years 1919, 1920, 1921 and 1922, I believe that the average haul of Texas cotton has lengthened materially in recent years. As the average haul increases with the increasing of the proportion of the crop produced in the northwestern, western and southwestern counties, it becomes desirable from the standpoint of the carriers that the compression and concentration be accomplished as near the point of production as possible. As shown by Exhibit A-171, pages two there are now 21 compresses in group 2. Abilene is the nearest to Houston, the short line distance being 379 miles as shown in Texas Lines Short Line Mileage Circular No. 1-E, A. C. Fonda's I. C. C. No. 143. My Exhibit A-172 shows the number of bales of Texas cotton concentrated at interior points and reshipped to Galveston and Houston under domestic bills of lading during the season August 1, 1924 to July 31, 1925 inclusive. The total rail receipts of [fol. 788] Texas cotton at Houston and Galveston during the 1924-25 season was 5,229,183 bales. This is arrived at by combining the Houston and Galveston receipts. The Galveston receipts include 457,380 bales of Texas cotton that were reshipped from Houston, and this amount deducted from 5,229,183 leaves 4,771,803 bales of Texas cotton actually delivered at both ports by rail during the 1924-25 season. The total bales of Texas cotton afforded first concentration in the interior and then delivered on domestic

rate to facilities of both port and waterfront concentrators at Galveston and Houston during the 1924-25 season, that is the 779,386 bales shown on Exhibit A-172 constitute 16.7 percent of the grand total bales of Texas cotton received at both ports during the same season. Of the 779,386 bales, 518,919 were delivered at plants back of the waterfront and 260,467 bales went to plants on the waterfront. The 518,919 bales is the amount of cotton on which the port concentrator thinks he is entitled to free second concentration. This 518,919 bales is 10.8% of the total rail receipts of Texas cotton at the ports of Galveston and Houston during the 1924-25 season. The amount of cotton received at Galveston previously concentrated does not include the cotton shipped out of Houston to Galveston. It is strictly cotton shipped out of interior points. In gathering this information we had to go to the concentration claims. It is cotton moved in by rail and out by rail on which concentration claims were filed, and which moved on the intra-state rate. This is the amount of cotton that the port concentrators say will be involved or will give the railroads an advance in revenue if we do not give them a free second concentration. It does not necessarily mean that we receive revenue from it, at the port for second concentration. We did not receive any revenue from this cotton at all—they drayed it, we did not make them any allowances. This 779,000 bales is only cotton which moved on intra-state rate and does not include cotton which was concentrated at the interior and moved on inter-state rates. There was approximately 4,000,000 bales of cotton moved to ports on intra-state rates. 518,919 went to plants back of the waterfront and 206,467 [fol. 789] bales went to the waterfront. The so called penalty of 12¢ per 100 lbs., for passing compresses as shown in Mr. Dalzell's Exhibit A-43, is an essential provision of the Interstate Tariffs, Southwestern Lines Tariff 80-G, F. A. Leland's I. C. C. 1776, and Texas-Louisiana Lines Tariff No. 50, A. C. Fonda's I. C. — No. 166, which publish the export rates from Oklahoma and Texas, respectively to the Texas ports, contain this provision and I believe that its purpose is sufficient to establish its reasonableness. The Interstate and Export rates on cotton compressed in transit at the expense of the carriers are published as Specific Rates and are defined as follows: "Rates on shipments in bales, any quantity, delivered at destination compressed,

but which were delivered to the carrier at point of origin in uncompressed bales." In the absence of some requirement respecting the point of compression the shipper could under the rate tariff force a carrier to haul the cotton to destination flat, and pay the cost of compression, or he could select any press he might desire for his compression, regardless of how many compresses were passed in order to get to the press selected, and force the carrier to pay for compression out of the rate. The rate tariffs are subject to individual tariffs of participating carriers, governing compression and concentration and other services and privileges, and these individual tariffs indicate clearly where compression may be accomplished at the expense of the carrier, but when the shipper elects to use a compress that is not authorized by the individual transit tariff the question arises as to what through rate should the carrier apply from origin to destination on a shipment compressed at an unauthorized press. In order to cure this apparent defect in the rate tarifi the provision set out in Mr. Dazell's Exhibit No. 43 was incorporated therein, so now we have specified rates based 12¢ per 100 lbs, over the rate that includes cost of compression on cotton which the shippers elect to run flat past compresses, and we do not absorb the cost of compression—that is if the shipper designates a compress—we do not absorb the compression. If he wants to run the cotton flat from Oklahoma to Houston and get it [fol. 790] compressed and let us transport it to Galveston, the effect of the rule is that he pays the flat cotton rate. There is no reason why we should absorb anything if he passed any other compress enroute. The carrier can compress it at the compress that best suits his convenience. Wherever a shipper wants to concentrate at a compress three or four compresses down the road from where he originates the cotton, he will have to pay the flat rate, and that is the reason the rule is put in there. If he wants that kind of service he can get it and pay for it—that is the purpost of that 12¢ rule—it established rate on flat cotton for people who want to handle their cotton that way. If we haul that cotton from Oklahoma to Houston we collect the flat rate and there is no reason why we should pay for the compression. If cotton moves from a point 150 miles

from the port and there is one compress 25 miles from the point of origin and another on 75 miles and another on 125 miles, and a man moves his cotton flat 75 miles, but ultimately ships in carloads under the concentration arrangement, unless the carrier has some specific provision authorizing the passing of a particular compress, he will pay a rate equivalent of the flat cotton rate, all the way through and he will pay for his own compression. On Texas Intra-state shipments there is no so-called 12¢ penalty, but the Railroad Commission of Texas recognizes the right of the carrier to select the point where compression is to be accomplished, and when a shipper elects to pass a compress, the carrier is not required to absorb the cost of compression. Under the rules of the Railroad Commission of Texas tariff, as published in Texas Lines Tariff No. 17-D, A. C. Fonda's R. T. C. No. 45, the shipper is required to give the carrier notice of his desire with respect to compression or through flat movement by inserting in the bill of lading the words "To be compressed," or "To go through flat," as the case may be, and if the shipper directs compression the rule is that the carrier shall have the cotton compressed at origin, in transit or at destination. In reality there is no such thing as a "Carriers privilege rate" on Texas Intra-state traffic in the sense that the carrier has the privilege of delivering the cotton either flat or compressed at destination, but the carrier does have [fol. 791] the privilege of selecting the press that will best suit his convenience in the daily handling of his business and will not be required to absorb the cost of compression when a shipper directs that his cotton be hauled flat past a press. The statement on the first sheet of Exhibit A-13 introduced at the former hearing by Mr. Dalzell is in error in that no actual movements of traffic are shown. Practically all, if not all, of the concentration tariffs permit the concentration of cotton at the first compress point in either direction from point of origin. This practice arises from the compression in transit arrangement—that is the carriers for their own convenience and operating economy permit compression at compress points in either direction from point of origin, and because the distances between compress points are comparatively short, the carriers permit concentration in either direction. Concentration in the in-

terior takes place at compress points. The practice of the carriers in permitting concentration at compress points in either direction from the point of origin tends to create sufficient competitive markets for the producer as to make it unnecessary for him to ship his cotton through one compress point to another in order to get the best possible price for his product. He always has two competitive markets in the interior in addition to the port market. Other examples of indirect service depicted by witness Dalzell's Exhibit A-13, such as the movement of cotton from Lampasas, Texas to Austin via Gulf-Colorado and Santa Fe to Milano, I-G. N. to Austin, thence I.-G. N. to Houston results from carrier competition. For illustration the Southern Pacific has a direct line from Lampasas to Houston and over its route Austin is a direct line from Lampasas to Houston, and over its route Austin is a direct line of transit. Austin has a compress and is in a good producing area—for this reason Austin is a market for cotton. The Gulf Colorado & Santa Fe in connection with the I-G. N. meets the competition of the Southern Pacific in permitting Lampasas cotton to concentrate at Austin. Santa Fe cotton originating at points in Texas and Oklahoma north of Cleburne, Texas, may concentrate at Dallas, likewise cotton originating at Weatherford, Texas on the Santa Fe may concentrate at Dallas when the [fol. 792] destination is Galveston or Houston. Dallas is in direct line of transit over the Frisco, Rock Island and Katy on traffic from Oklahoma City for example, also Dallas is in direct line of transit over the Katy on Gainesville cotton. Oklahoma City and Gainesville are important cotton markets, and the Santa Fe in order to be on a parity with the competitors hauls the traffic over its own rails to Dallas and there to Houston. Dallas would be in line of transit over a logical route from Weatherford to Houston viz, the Texas & Pacific, Houston & Texas Central, consequently the Santa Fe is justified in allowing Weatherford cotton to concentrate at Dallas when moving over its rails. In permitting Oklahoma City, Gainesville and Weatherford cotton to concentrate at Dallas when destined — Texas ports, the Santa Fe allows the same privileges on cotton originating at intermediate points on this line as far south as Cleburne. I could multiply these illus-

trations indefinitely, but I assume the Commission would not be interested in too much cumulative evidence. I introduce Exhibit A-173 showing the movement of cotton to the ports of Galveston and Houston by months during the season of 1921 and 1922, 1922-23, 1923-24, and 1924-25. The calculations at the bottom of the page show that during the fall months of September, October, November and December a little bit better than 70% of the cotton moved by rail into Houston, for three other seasons. For the first one it shows 56.47%. My Exhibit A-174 shows the number of bales of flat cotton transported by rail from Texas points to the Ports of Galveston and Houston during the seasons 1923-24 and 1924-25. The first figure shown opposite the figure 1—in parenthesis is the total receipts of flat cotton at the two ports during the seasons indicated. The figure opposite the figure 2 in parenthesis shows the number of flat bales that moved from or past compress points. The percentage of the total is indicated. In connection with figure 4 in parenthesis, I have segregated the cotton that moves from and past compresses, indicating the number of bales that moved from points under 160 miles, and then the total number of bales that moved from points more than 210 miles from the port. Opposite figure 5, I have shown the percentage of the cotton that moves from and past compress points that originated in maximum rate territory for distances over 210 miles from the port.

[fol. 793] My Exhibit #A-175 shows the number of bales of cotton originating at all points in Texas, uncompressed cotton, delivered at Houston by the Southern Pacific Lines during the seasons 1923-24 and 1924-25, and the number of such bales that moved from or past compress points. Page 10 shows the total of the cotton that moves from and past compresses, and also the total of flat cotton delivered by the Southern Pacific and the percentage that the latter is of the former. Page 11 shows the number of bales that originated at points 160 miles and less from Houston, over 160 miles and over 210 miles. 102,767 was the number of bales that moved from or past the compress. The first item on page 10 shows that from Van Alstyne during the season 1924-25, there were only two bales of cotton moved flat to Houston, Texas, each one delivered by the Southern Pacific (R. 3783). Exhibit A-176 gives the same information

covering Galveston for the Southern Pacific. Exhibit A-177 covers the Santa Fe to Houston. Exhibit A-178 covers Galveston for the Santa Fe (R. 3784). Exhibit #A-179 covers the International and Great Northern at Houston. Exhibit #A-180 covers the International & Great Northern at Galveston. Exhibit A-181 covers the Gulf Coast Line at Houston. Exhibit A-182 covers the Trinity & Brazos Valley, and this Exhibit covers the cotton that moves from and past compresses (R. 3785). Exhibit #A-183 covers the Trinity & Brazos Valley and shows the cotton that did not move from or past the compresses. It is necessary to have this in order to show the total handled by the Trinity & Brazos Valley because the Trinity & Brazos Valley did not show this total on Exhibit A-182. Exhibit A-184 covers the Katy at Houston. The Katy did not show the grand total of flat cotton delivered by its line. Exhibit A-185 covers the Katy at Galveston; this is the total of Katy flat deliveries at Galveston during that season (R. 3786). The purpose of this detailed information is to show where the flat cotton is coming from. It is coming from Amarillo, Lubbock and everywhere else, and the movement of flat cotton is increasing yearly. The length of the haul is also increasing.

Exhibits A-186, and A-187 show the detention of cars of [fol. 794] cotton moving under through bills of lading and cotton moving under port bills of lading for export at Galveston and Houston during the year 1924-25 (R. 3787). I could not say whether this is the detention after the cars were placed or the detention after the date of arrival until released. We asked the demurrage bureau to supply figures showing the detention of cotton (R. 3788). I will ascertain how the time was computed and supply it for the Record. Exhibit A-188 is a statement from the Vicksburg, Shreveport and Pacific Railway of cotton compressed in transit, not concentrated, and cotton concentrated on that railroad during the three seasons requested by the Commission. I am sure these statements, Exhibits A-186 and A-187, do not include the excess over the free time (R. 3789). There is 4 days free time for unloading cotton moving under a local bill of lading for export and 10 days on cotton moving under through export bill of lading.

Cross-examination:

I do not know whether cotton which is purchased by a port merchant from an interior concentrator is ordinarily purchased in large quantities (R. 3792). The second concentration on cotton at the port would benefit one interior market and hurt another. I disagree with Mr. Locke on that point and agree with Mr. Stone of Dallas. I do not know what caused the railroads to grant free transit privileges on flour without charge. We do not get any economy by transit on grain. I do not know why the railroads granted it. It adds to our cost, because it reduces the loading on grain in transit from 100,000 pounds of wheat in, to 40,000 pounds of flour out (R. 3795). In my judgment, there has been a substantial increase in the average weighted haul of (R. 3796) Texas cotton. It is not the position of the railroads in this case that there should be a [fol. 795] charge for first concentration of cotton at the ports. As long as the man in the interior gets one, I suppose we will have to give the man at the port one (R. 3797). Under Exhibit A-157, I assumed that the one rate would be 83¢. You would have to add wharfage to that. That would make it 85¢. If the car was concentrated at Dallas, the rate would be 83¢ to shipside with first concentration at Dallas, and if the first concentration took place at a back of the water front point at Houston and went to shipside, the rate would be the same. There would be one rate applicable through both facilities to the same objective (R. 3798). If the cotton went direct from Dallas to a ship-[fol. 796] side facility, the rate would be 83¢, but under the unloading allowance a man on the water front would get his 1¢ unloading (R. 3799). The 1¢ unloading allowance would apply on both inter-state and intra-state traffic on a local bill of lading. If we are going to have one rate to the ports, and if the one rate system contemplates the same scale to be applied as the concentration factors from one point in the state to another point, we should have the same scale throughout the state. That was one of the difficulties we encountered when we got the Commission's order, because Mr. West would (R. 3800) not agree that if we put in an 83¢ scale to the ports, we could put in an 83¢ scale to Dallas. On cotton originating at a point where the maximum rate would apply, the Dallas Merchant would pay

on the inbound movement 80¢ or 83¢, whatever the scale might be. When it moved out to the port, he would pay 83¢ from Dallas (R. 3801). That would be a total of $1.66. The same cotton originating at the same point destined to a back of the water front facility at the ports, would pay inbound to that facility 83¢; he would pay outbound to shipside 3½¢ or 4¢. He would pay the switching rate to shipside. He would have a total charge to shipside of 87½¢. Both of these men would finally claim and get both of the shipments reduced to 83¢ (R. 3802). That would be one rate for both facilities to shipside.

I do not know of any transportation reason for the charging of 83½¢ on one shipment and 80¢ on another, both of them originating at Dallas and carried by the same transportation line to the shipside facility of the Houston Compress Company on the Houston Ship Channel. Assuming the same condition, I would make the same answer as to the other shipside facilities at Houston, Alexander Sprunt & Son, and Weatherford Crump & Company (R. 3803). Under the two rate plan, the man at the port gets free second concentration, but the carrier does not perform any additional service. He gets it out of the adjustment of the rate. He gets it at whatever it costs him. The carrier delivers the car to the water front man; we are then through with it. In regard to the 34 bales of flat cotton moving from Abilene to Galveston during the season 1924-25, gen- [fol. 797] erally speaking I am sure that the number of bales would be handled in more than one car. In other words, it would be tendered to us in small lots of 1, 2, or 3 bales or more. We naturally undertake somewhere along the line to assemble those small lots. Taking the one bale at Blum, Texas, we would have to load it out on a merchandise car going to that station. I doubt that we would have anything else there to assemble it with in the way of cotton. It would be loaded in a merchandise car to some break bulk point (R. 3805). It would have to be re-handled there. It would probably go through that same process from one division to another. When it got to Houston, I fancy that if it went on through it would be handled over the mixed platform. Generally I would say that this flat cotton that is moved from these long haul stations in Texas would

have to be handled in cars with other merchandise from one division to another, and handled by the carriers at their break bulk point for merchandise cars. I believe that the application of a 12¢ penalty for moving flat cotton on a Texas intra-state rate would diminish the movement of flat cotton. It would not, however, increase our gross revenue, because the shippers would have their cotton compressed in transit (R. 3806). It has always been our position that there is economy in compression in transit, and I believe the establishment of a rate on flat cotton of 12¢ higher than compressed in transit cotton will result in the compression in transit of this flat cotton that is now moving. Considering the fact that bulk of the flat cotton is moving long distances, I would say that on all of the long distance cotton it would be to the advantage of the carrier to get it compressed in transit. I know that the carriers have given consideration to the question raised in regard to the inability of the Houston concentrators to switch cotton because of the lack of reciprocal switching arrangement at Houston. We have made a record that in the event the one-rate plan is established we will reinstate the reciprocal routing arrangement that was formerly carried from plants back of the (R. 3807) water front at Houston; I think the carriers had really to do that in self defense, and we are going to do it, and if they put in the one-rate plan we certainly want the Commission to fix a minimum on the number of bales that are to be loaded in a car (R. 3808). [fol. 798] In regard to the one bale of cotton at Blum in the year 1924, it would be possible that that bale might be loaded in a car with a lot of other cotton going in that same general direction, and at the first compress point, or a break-up point, be taken out and consolidated with other carload shipments, just as other less than carload shipments are made by the railroad. Rates on cotton were made to contemplate the movement of one bale or any number of bales under one bill of lading. I do not think that if cotton were a carload commodity we would have considerably lower rates. The cotton rate structure has been built up and the practices have prevailed for a number of years on those less than carload lots, to the compress point (R. 3809) and from there on out as carload traffic, as re-

sult of the effort of the carirers. We undertake to get the best carloading possible. When the compress does not load as many as 75 bales, and there is not other cotton available to load in the car, we take the (R. 3810) best loading we can get and send the car on. The statements handed to me by Counsel gotten out by the Western Weighing and Inspection Bureau, which purport to show the number of cars loaded to Houston and Galveston in the season of 1924-25 from various compress points, state that the average loading for all lines out of Waco for the 1924-25 season was 71.6 on a total of 1300 cars; for the season of 1923-24 for 1,095 cars the average was 74.7. The statement also shows that in the year 1924-25, there were 203 cars that had 50 bales and less. In the 1923-24 season there were 159 cars that had 50 bales and less (R. 3811). I do not know what kind of cotton it was. If we had a car with less than 50 bales, we hauled it out. The statement shows for Muskogee, where the average for the 1923-24 season was 60.4 bales and of the total number of cars shipped, 719,349 contained less than 50 bales per car. I do not know whether that was on [fol. 799] account of the cotton being merely compressed in transit instead of being concentrated. That might have been the tail end of the season and there was not any more cotton to be had. It might have been at the front end of the season, when they (R. 3812) had a light movement in August. If the Compress had the cotton, it can get as good loading in the car of transit cotton as it can in the car of concentrated cotton. It must have enough cotton to the same destination. They had a rule during the war in the tariff requiring 75 bales out of compress points. I think they lived up to it generally speaking. They cut it out, because they could not always get the 75 bales. I do not know of any effort made to have a change made in the compression allowance when that requirement was abolished (R. 3813). My statement that on the two carloads of cotton going to the Long Reach plant at Houston there would be no difference in the service related to the handling of cars into the plant, which is transportation. The operators of compresses at Galveston usually have their own dray lines under some other name. I could not say that any operator in Galveston owns a dray line. There are plenty of ways to do that (R. 3815).

In my statement that the man at the port taking a second concentration had a 3½¢ advantage over the interior concentrator under the two rate plan, I was comparing the man back of the water front reaching the ship with the interior man reaching the ship. The man in the interior would pay a total transportation rate of 87¢, and the man back of the water front at the port would pay inbound 80¢ and get back his unloading, which would leave him 79¢ and then he would hire a drayman to take his cotton to the ship at 3½¢, leaving him out of pocket 82½¢ at Galveston. A man [fol. 800] at the interior could handle it through an additional facility at Houston and Galveston, if he managed to get it to the shipside facility and defeat the export rate, like the rest of them. I think that every bale of cotton going to both ports, (R. 3816) ought to pay the export rate. It all goes for export except that which goes to the Southeast and New England. The interior man does not use second concentration very much in the interior in Texas. For that reason, the policing of the concentration at the interior is less expensive than at the ports. At the port we have to watch to see that the port merchant does not get two concentrations without paying for the second. We have to trace the cotton back to the interior (R. 3817) first concentrating point. If the interior man were following the practice of using two concentrations, we would have to do the same thing in the interior. Second concentration is very expensive to the railroad and never should have been established. The 48,000 bales of cotton that were concentrated at other than compress points was first concentration, after compression in transit (R. 3818). The man taking the export rate would have to pay for the second concentration 3½¢; and the man at the port avoids that under the two rate plan, but has to pay whatever it costs him to handle his cotton. The unloading allowance of 1¢ [fol. 801] was put in largely as a result of pressure brought to bear upon the railroads by both the ports and the interior people. The railroads have since discovered that they made a mistake in putting it in there, but I do not know what they will do about taking it out (R. 3819). The difference between the services performed on two shipments of cotton, one being 50 bales of cotton originating at

Sulphur Springs, compressed at Greenville, concentrated at a back of the waterfront plant at Houston, and delivered to the ship at Houston, and the other being 50 bales originating at Sulphur Springs, compressed and concentrated Greenville and re-shipped to a back of the water front plant at Houston, and thence to the ship at Houston, in the one case its being compressed and in the second its being compressed and concentrated, the additional service is two terminals, getting the car in and out of the plant back of the water front. The additional services performed at the port that are not performed in first concentration are due to the fact that delivery is taken at the 80¢ rate, the 1¢ is refunded for unloading and the shipper does the rest, whereas, under a one-rate plan, the railroad would do the rest and you would be getting the money. I do not concede that the service at the port would be the same in both cases. To whatever extent we can relieve the mixed platform we are that much better off, but I do not think the second concentration is necessary to relieve that (R. 3822). Comparing concentration at the port with second concentration at the port, in regard to the two shipments from Sulphur Springs in the previous question, there would not be any additional service if it moves over the identical same line. The actual haul in miles via the railroad is probably the same (R. 3825). When you concentrate at Greenville, however, you increase your loading, whereas, if you compress it in Houston you get a lighter load. Then, if you concentrate it again back of the water front, you are destroying whatever increase in loading you got as a result of the first concentration, because you are splitting the [fol. 802] haul from Greenville to the ship in two pieces. You do not gain anything by concentrating it at the port after you have performed the haul down there (R. 3826). The most recent effort to get a charge for first interior concentration was the case before the Railroad Commission of Texas in 1923, in case #2,234, when the Houston people and the Farm Bureau people undertook to have a system of rates established which in substance worked that out. In that case Mr. Thornton opposed charging for first interior concentration. Previously, in 1919, Mr. Thornton had filed an application with the Dallas District Freight

Committee, asking that a penalty of 15¢ per 100 pounds be established for first concentration of cotton in the interior (R. 3828). The occasion of that was the effort by Mr. West of Dallas to get a second concentration in the interior. Mr. Fulbright and Mr. Thornton strenuously objected to giving a second concentration. Mr. Thornton filed an application with the Dallas District Freight Traffic Committee on May 30, 1919. I read from a letter to Mr. J. B. Payne, Chairman of the Dallas District Freight Traffic Committee, Dallas, Texas, dated May 30, 1919:

"I am in receipt of a wire from Mr. Edward Chambers, dated May 29th, reading as follows: 'Your wire May 28th. Dallas Committee has been instructed to Docket for consideration the general question of providing for second concentration privilege on cotton in Texas.'

"Since this has the effect of re-opening Docket #709, I would ask that you consider at the same time my application for a reduction of 15¢ per 100 pounds on cotton handled direct to Galveston without concentration privileges in the interior, which was submitted to you on the 6th instant." (R. 3829).

I do not know whether that was ever pressed.

I know of no reason from a transportation standpoint why a compress can not load as much transit cotton as it [fol. 803] can concentrated cotton if they have the cotton to load to the same destination. On a through bill of lading, as well as a port bill of lading and marked for export, the carriers pay the wharfinger for unloading, but where we deliver the shipment to a man at a warehouse and stop it there in the car, I do not see why we should pay him anything for taking it out. We do, however. We are giving them carload performance and we never should have given it to them. If you are going to proceed on the less than carload theory, the railroads could deliver the cotton at the depot. Then you will have a two-rate plan. Assuming that the cotton would be handled in as a domestic shipment, we would be relieved of the necessity of providing the depot or a facility, by unloading it over their platform, but I do not know that Mr. Kempner or anybody else has built a warehouse for the convenience of the railroads. I think they have their own purposes. If we unload cotton at the

freighthouse and let every fellow come and get it, the back from the water front man would have two draying charges and the water front man one. The third class rate is either 70% or 75% of the first class rate under the Shreveport scale. (R. 3834). Package Cars will run about 10,000 pounds, I think. The minimum on Peddler Cars is 15,000 pounds. (R. 3835).

WITNESS J. A. BOWDEN

I am Transit Cotton Clerk for the Western Weighing & Inspection Bureau, Houston, Texas. My duties are checking the concentration claims. I have been in that occupation since April 1, 1922. In the season of 1924-25, 479,585 bales were handled on concentration claims at Houston. I arrived at the expense of handling those claims per bale [fol. 804] by taking the gross salaries paid and dividing it into the number of bales handled, and we find that we have an expense of handling per bale of 1.08¢. (R. 3836). We took into consideration just the salaries in the concentration department, myself and two assistants. They were exclusively occupied in handling cotton concentration claims and checking the records pertaining thereto and maintaining the records covering transit operations. This 1.08¢ per bale does not include anything besides the actual salaries of the men employed in that work. In addition to that, we have office rent and stenographer, messenger service and [fol. 805] stationery and the handling of claims outside of our immediate office where it is necessary to send them from one office to another for verification, such as sending claims from Houston to Dallas, Memphis, Ft. Worth, or any other office for further handling. If the one-rate plan is put into effect, in my opinion, in the event reciprocal routing (R. 3837) arrangements are restored we will handle claims on practically everything that is switched. In order to get the benefit of the one rate, a man will have to take concentration, in order to get his refund. Based on the 1924-25 figures, I think that claims would be filed on 906,000 bales moving in switching service. Not less than five, and possibly six, additional men would be required to handle those additional claims. I estimate that the additional cost of handling that 906,000 bales would be about 8/10¢. I arrive

at that estimate by dividing the expense that would be incurred into the number of bales. (R. 3838). I include in that probable expense the salaries of five men at 8,100 dollars per year for all five. I do not include any additional items for rent, stationery, supervision, stenographic help or expenses of that character. The District Manager seems to think that the Galveston situation should be handled with about four additional men at the same salaries. The average salary per man is about $135.00 per month each. (R. 3839).

Cross-examination:

I would not say that it is more costly to investigate concentration claims at the port than it is at the interior point. In the handling of concentration claims in the interior, we do not devote any man's time to that. It is handled in connection with the regular inspection work, by our force of travelling men in the course of their regular duties. We send these claims back into the interior by correspondence for verification of endorsements, and to be sure that the transaction was had and was a bona fide sale. At Houston, with the reciprocal routing arrangement, those claims come to our office and the tonnage application is checked. That [fol. 806] is to see that over drafts are not incurred (R. 3840) against each individual bill of lading, and we maintain a transit record to prevent those over drafts. Therefore, we have to check each claim. Where they did not have reciprocal routing that would be a different proposition, and it would not be so difficult. The Auditors of the individual lines handle the concentration feature, and that would be in addition to the service we perform (R. 3841). The fewer claims filed the faster we can handle them. It reduces the cost to handle one claim on one freight bill covering 100 bales rather than 10 freight bills covering 10 bales each.

Redirect examination:

It will not be necessary to get additional forces in the District Office, because all records are maintained in our local office.

Recross-examination:

On cotton going direct to shipside, not concentrated at Houston, there is no claim filed naturally (R. 3843).

WITNESS S. G. REED

My residence is Houston, Texas. I am Assistant Freight Traffic Manager of the Southern Pacific Lines in Texas. I have been in the Traffic Department of the Southern Pacific Lines some 25 or 30 years. I am familiar with the rates on cotton and the handling of cotton. If the one rate plan is established on traffic to the Texas Ports, assuming that such a plan requires an increase in the domestic rate, and a reduction in the shipside rate so as to preserve the carriers revenue, it is not possible to determine what rate is necessary by basing the calculation wholly on the number of bales delivered at the ports on local rates and the number delivered on the shipside rate. Some of the cotton delivered at the ports on (R. 3844) the local or domestic rate is reshipped all rail under concentration to other destinations to which the through rates from the origin of the cotton is [fol. 807] ultimately protected. Also the cotton which is delivered to the plants back of the water front, if it has not had a previous concentration in the interior, will have to be delivered to the ship at the carriers' expense. Therefore, an increase in the local rate on this cotton does not mean an increase in the carriers' revenue. In the third place, the cotton that is delivered to plants on the water front at the local rate, and which is sent to vessels docked at other plants on the water front would be entitled to the same first concentration privilege as is accorded the cotton moved from plants back of the water front. Therefore an increase in the local rate does not mean an increase in the carriers' revenues on this cotton. The matter of an allowance to water front concentration for moving their cotton from warehouse to shipside at adjacent wharves also enters into the calculation, because if an allowance is made it will diminish such increase in revenue as results from an increase in the local rate to water front plants on all cotton that is placed aboard vessels at adjacent wharves (R. 3845).

An increase in the local or domestic rate to the port would be productive of increased revenues on the cotton which is accorded first concentration in the interior and re-concentrated at the ports, if the port concentrators continued buying cotton from interior concentrators instead of buying at the country origin and shipping through under the compression in transit rules. The compression in transit arrangement, coupled with a free first concentration, affords the port merchants the same opportunity of getting a bale of cotton from the country origin point to ship at the same transportation cost as the interior merchant. I mean by port merchant the man back of the water front. A decrease in the inter-state shipside rate to the port would diminish the carriers' revenues on a substantial portion of the cotton. The character of shipments involved in this diminution of revenues would be: first, cotton moving on through export bills of lading; second, cotton moving under port bills of lading marked for export or coastwise; third, cotton moving under through coastwise bills of lading from [fol. 808] Texas (R. 3846). Texas cotton moving under through coastwise bills of lading would be affected by a reduction in the shipside rates to the ports, because of the fact that the through coastwise rates from Texas are built generally on combination over Houston, the 83½¢ scale being the factor to Houston.

In determining the effect of a one-rate plan on carriers' revenue, we had to determine:

First, the number of bales delivered to plants on the water front and back of the water front under the local or domestic rate.

Second, the number of bales moved under through export and coastwise bills of lading.

Third, the number of bales moved under port bills of lading marked for export or coastwise.

Fourth, the number of bales which had been accorded first concentration in the interior, and which were delivered at plants on and back of the water front under local rates.

Fifth, the number of bales received by plants on and back of water front under local rates, which were re-shipped all rail under concentration to other destinations (R. 3847).

We were not able to determine the total number of bales moved from one water front plant to another by drays or

barges at Houston on which the water front concentrator could claim the privilege of a first concentration. The carriers have no way of ascertaining the actual number of bales handled by drays, but they did obtain the actual number of bales handled by barges. We took the number of bales that are ultimately put aboard vessels, and applied the difference between the present rates and other rates, and from the results thus ascertained deduct the cost to the carrier of making delivery to ship after concentration.

My main statement will deal with Texas cotton only. I will treat the other separately (R. 3848). The rates on cotton to Houston for coastwise movement are the same as [fol. 809] the rates on cotton to Houston for export. The only difference between the export and coastwise rate is that there is no wharfage. The coastwise rates and the export rates are 83½¢. The wharfage is added to the rate for export, but not to the rate for coastwise. The Steamship Lines absorb that wharfage (R. 3849).

I am testifying for the carriers respondents in this case, serving the Texas Gulf Ports. I am testifying only as to the position of these carriers on the plan of rates to the ports and as to the rate necessary to preserve their revenues under a one-rate plan. The position of these carriers is one of neutrality on the question of rates to ports. They are contending only that their revenues be preserved if the one-rate plain is adopted (R. 3850). The carriers desire to assist the Commission in determining what rate, if a one-rate plain is to be prescribed, is the one that will preserve their revenues. They have made an exhaustive study of the Texas cotton to the Texas Gulf Ports for the season 1924-25. We decided on using the revenue per bale under the present plan, and under the one rate plan to make our comparison, instead of using the total gross revenue, feeling that it would be simpler and easier to compute, and because of the fact that the loss or gain per balé would be the same regardless of the point of origin, the difference between the domestic and export rates from Texas being in all cases, 3½¢. In comparing the expenses that we now have with the expenses that we would have under the one rate plan, the situation at Galveston was comparatively simple, as a large percentage of the cotton was handled

under through rates and the balance was handled by drays, and the rate is uniformly the same for practically all drayage at that place, namely 20¢ per bale (R. 3851). But at Houston, there are various methods of handling the cotton from both back of the water front and water front plants to ships, namely, by barge, by truck, and in cars. The movement by barge began in the season of 1923-24, and the rate charge was 14¢. In 1923-24, the rate was increased to 17¢, but in the season of 1924-25 only about 90,000 bales [fol. 810] were handled. This season, while the rate is the same, the movement has not increased materially if any, and it is not certain that the service will be continued or that the present rate will be maintained. The second and largest movement was in cars. In July, 1924, there was a special rate of $8.10 per car established by Houston carriers, applying on all traffic between points on the newly organized Ports Terminal Association, and the member lines in Houston. All of the Houston lines are members of the Port Terminal Railway Association. This was an experimental proposition, published to expire in one year. It has been continued from time to time, but still carries expiration date due August 31st, 1926. Carriers recently asked the Railroad Commission of Texas to call a hearing to consider extension of this rate or to prescribe a proper rate for the service. The rate is greatly below the actual cost of service (R. 3852), which is about $15.00 per car. The cotton shippers at Houston have used it very extensively, having handled over 900,000 bales during the season of 1924, 1925, and fully as much this season, but as above stated it was and is a temporary rate. The cotton shippers using this facility have, in order to reduce their cost of handling each bale, loaded the cars to their maximum capacity. Under a one-rate plan, where the carrier would have to assume the cost of getting the cotton to shipside without any additional cost to the owner, there would be no incentive to load cars under this rate to capacity. They could tender the carrier just one bale, and even if they loaded 50 bales, which they could do without topping, this would make the cost per bale about 30¢. There is an expense of about 10¢ per bale on the cotton that is topped. We were unable to determine the amount handled to shipside by dray, as part of it was handled by public draymen and part of it

by owners themselves. In some cases they had incomplete records, and in other cases they were unwilling to give the information. This movement in 1924-25 was not heavy, nor has it been substantial during (R. 3853) the present season, but this situation is likely to change. The City of Houston has just about completed the acquisition of the right-of-way for two boulevards from the main part of Houston to the ship channel district, one on each side of the Houston Ship Channel. The money is available for [fol. 811] paving of one of these boulevards, and the bond issue will be floated for the other. They will undoubtedly be completed before another cotton season begins. With these two roadways, the cost of draying from plants back of the water front in Houston proper, will be greatly reduced, and it is quite possible that it may be as low as 20¢ per bale. The peak movement of cotton occurs at a time when the other principal commodity handled by the Texas Lines moves most freely, namely, grain, and the carriers may find it desirable, in order to minimize the use of box cars for switching movement, to increase their drayage allowance even above 20¢, which is quite possible, because of the fact that actual cost of switching will approximate the cost of handling by drays. Therefore, we decided that to be entirely fair we should use at Houston, as a basis for the cost of getting cotton from back of the water front plants to shipside, and from one shipside plant to another shipside plant, the same figure that we used at Galveston, namely, 20¢. The study made by carriers is reflected in Exhibit A-189. This exhibit was prepared under my supervision and is correct in my opinion. The figures, except where indicated to the contrary, are based on the records of the carriers. Page 2, at the left, is a statement showing the number of bales of cotton consigned to or through the Texas Gulf Ports, segregated as to states of origin, and also showing the number of bales to Houston and Galveston separately. At the right on the same page, is shown the number of bales moved to shipside at Houston and Galveston, Texas separately from the various plants by the various methods of transportation, that is, by barge, drays, or in cars (R. 3855). This does not segregate fully movement as between water front plants and back of the water front plants, as it was impossible for the carriers

from their own or available records, to obtained the number of bales, handled in each and every method of transportation from and to each kind of plant; that is, water front or back of the water front. It does not, for instance, show the number of bales handled by dray at Houston from back of the water front plant to water front plants, or from one water front plant to another. An effort was made to obtain this information, but part of this handling was by [fol. 812] private drays and part by draymen. The movement by dray at Houston was very small owing to the great distance to shipside from the back of the water front plants, and the condition of the roads, and the present high cost of drayage, which amounted in many cases to as much as 50¢ per bale. The third and fourth pages of the Exhibit contain other basic data upon which computations on the succeeding pages are based as to the effect of specific rates on the revenues of the carriers. Page 3 contains this information as to Houston and page 4 as to Galveston. No figures are shown as to Beaumont, Orange, Port Arthur (R. 3856), Corpus Christi, Port Aransas, and Texas City, because there was no movement to any of these ports during the season of 1924-25 except to Texas City, and practically all of that was re-shipped to and exported from Galveston, and is included in the Galveston figures. As to both Houston and Galveston, the receipts by the plants at the water front are shown separately from the receipts of the plants back of the water front. This was done because of necessity of making two separate and distinct computations, the expense of getting cotton to shipside from water front plants, and the expense of getting to shipside from back of the water front plants.

Item 1, page 3, shows in paragraph a and b the number of bales of cotton of Texas origin delivered to plants back of the water front and at waterfront, respectively, on the intra-state rate. Paragraph C shows the total and paragraph D and E the percentages. Item #2, page 3, shows the number of bales of Texas cotton on through export bills of lading, and on through coastwise bills of lading. It will be observed that this amounted only to 58,925 bales, or 2.5% of the total Texas cotton crop delivered at Houston by rail (R. 2857). Item #3 shows, in Paragraph A, the grand total of Texas cotton delivered at Houston by rail,

and paragraph B shows the total of all states delivered at Houston by rail and in paragraph C of the percentage of the former to the latter, 85.6%. Item #4, paragraph A shows the number of bales of Texas cotton accorded first concentration at an interior point and delivered at the port on the [fol. 813] intra-state rate, 80.3¢ scale. These figures were obtained by an actual check of all concentration claims filed on Texas cotton moving during the season of 1924-25 which was concentrated at interior points and consigned to Houston under the intra-state rate. The figures under section A, in paragraph 4, are included in item #1-A. The bales having interior concentration are included in the first item. 1,223,783 is back of the water front. The total of both back of the water front and water front is 2,208,408 bales (R. 3858). The two items B and C are segregated as between the back of the water front and the water front. It was not possible, without tracing back each and every shipment in each and every claim, which would have been a tremendous task to determine exactly how much of such cotton was delivered to a water front or a back of water front plant. We have therefore divided this between the plants back of the water front and the plants on the water front on the same ratio as the total receipts from Texas origin as those two classes of facilities bear to each other, namely, 55.415% back of the water front and 44.585% at the water front, as shown in Item 1, paragraphs D and E. Item #5 shows the number of bales of cotton from all states re-shipped from Houston to the Southeast, Pacific (R. 3859) Coast, New Orleans and Galveston. It would be impossible to determine how many bales of these shipments originated in Texas owing to the substitution privileges accorded shippers under concentration rules, therefore, this proportion originating in Texas was arrived at by taking the percentages shown in Item 3-C, which was 85.6% of the total cotton arriving at Houston by rail, and this segregation appears in Item 5, paragraph B. The movement in Item 5 has been further segregated to show separately, first, the shipments from Houston to the Southeast, Pacific Coast and New Orleans, and, second, the re-shipment to Galveston. These are shown in Items 6-A and 7-A respectively. [fol. 814] It being necessary, in later computation, to segregate the Texas cotton included in these two items, this has

been shown in paragraph B of 6, and B of 7. It also being necessary to further segregate the respective movemments of Texas origin between water front and back of the water front these have been shown in Item 6-C and D and 7-C and D. Item #12 shows the total number of bales finally re-shipped or exported from Houston independently of the carrier. This was arrived at by deducting from the total number of bales of Texas cotton received at Houston, first, the number of bales concentrated at the interior, which [fol. 815] moved to Houston under the domestic rate; second, the number of bales re-shipped from (R. 3860) Houston inter-state by rail, and, third, the number of bales re-shipped to and via Galveston which gave us 674,165 bales handled by back of the water front facilities and 542,421 bales handled at water front facilities, which was shown in Item #12 and represents cotton which was finally exported or sent coastwise at Houston independently of the carriers. This is exclusive of cotton previously concentrated at the interior, which cotton was also re-shipped from Houston independently of the carriers, but is treated separately because the effect on the carriers revenue is taken into consideration on these two classes of cotton separately. The 674,165 bales shown on page 3 is the number of bales we contemplate we will have to deliver to shipside at Houston from the back of the water front (R. 3861). We have used that in our computations as to what the rate ought to be. That is in addition to the ones they are now delivering to shipside. We are only delivering 58,925 on through bills of lading now at Houston. Included in that 542,421 bales are 120,000 bales of Texas origin cotton that was actually moved from one water front plant to another water front plant in 1924.

[fol. 816] On page 4 of the exhibit is the same information with respect to Galveston, the only difference between the two is that it was necessary to take into consideration in the lower part of it the reshipment from Houston. We had to deduct the reshipment from Houston to Galveston from the total receipts of Texas cotton for the reason it was duplicated. The amount of Texas cotton moving through the port of Galveston on which the export or coastwise rate was paid was 1,069,965 bales, which is 35.7 per cent of the total Texas cotton delivered at Galveston by rail as com-

pared with 58,925 bales on which the export or coastwise rate was paid to Houston, representing 2.5 per cent of the total Texas cotton delivered at Houston by rail. The 534,323 bales of cotton reshipped from Houston to Galveston shown in Item 7 page 4 was deducted from the Houston figures in order to avoid duplication in the computation of revenue at the two ports; pages 5, 6 and 7 contain a computation of the various rates and allowances based upon the movements shown on pages 3 and 4 as showing the effect of each rate or rate basis on cotton from Texas origins to the Texas Gulf ports. They are necessarily based on the following assumptions:

First, that the amount of cotton handled by waterfront and back of water front plants at each port will be the same.

Second, that the amount of cotton concentrated at the interior will be the same.

Third, that the amount of concentration at the port for movement all rail will be the same.

Fourth, that the amount handled under concentration at the port for reshipment, coastwise or export, will be the same as was exported or coastwised independently of the carriers, and which had not been previously concentrated.

Fifth, that the movement under through bills of lading or bills of lading to the ports for export or coastwise movement will be the same.

Sixth, that the volume of movement by each of the vari- [fol. 817] ous means of transportation from the plants at these ports to shipside at the ports will be the same.

The figures in this exhibit are based on the application of the one rate plan to 1924-25 movement as it actually was divided between the ports and between the back of the waterfront plants and the waterfront plants at each port. Wherever in this exhibit the rates of 80, 82, 83, and 83.5 cents are mentioned they refer to the scale reaching the maximum at these figures. Some of the cotton involved in these proceedings originated at points taking lower rates and some at points taking higher rates, but all of it will be affected to the same extent in cents per 100 pounds and per bale if a one rate plan is adopted. For this reason the increase or decrease per 100 and per bale in revenue of the carriers as compared with the present rate will be the same.

The statements of the effect upon the carriers revenue under certain rates are confined to rates of 83, and 82.5 and 82 cents. This is not to be construed as an admission by the carriers that under certain circumstances which may develop an 83.5 cents rate may not be necessary to preserve their revenues.

Page 5 is a statement of the effect of an 83 cent rate. The cotton shown in item 1 is that which was left at Houston and Galveston after deducting from the total receipts of Texas cotton at domestic rates that which was reshipped from either Houston or Galveston by rail and the Texas cotton concentrated at the interior and delivered at the domestic rate. The number of bales shown in item 1, page 5 are taken from item 12, page 3, for Houston, and item 10, page 4, for Galveston. This cotton was delivered at 80 cents. An Allowance of one cent was made for unloading, leaving the carriers net revenue of 79 cents. Under the one rate plan, on an 83 cent basis, the carriers gain 4 cents per 100 pounds, or 20 cents per bale, as shown in columns B, E, H, and K, opposite item 1, page 5. But on a one rate plan [fol. 818] under the concentration rules of the carriers, this cotton will be taken to shipside at the expense of the carriers, who, however, by proper tariff provision, allow the owner to do so himself and reimburse him for the cost, not to exceed 20 cents per bale. It is assumed for the purpose of this computation that this will be the expense and the allowance on all cotton shown in columns B, E, H, and K, item 2, page 5.

The carriers will break even on this character of cotton on this allowance. Hence, as shown in item 3, columns C, F, I, and L, there is neither an increase or decrease in revenue. Shortly after the original order in Docket 14940 was issued, the carriers serving the Texas Gulf ports have given consideration to the question as to the proper allowance, if any, to make to waterfront concentrators for getting cotton accorded concentration at the port to adjacent docks, and first decided upon an allowance of 5 cents. This met with vigorous protest from shipside waterfront facilities, and the matter was further considered at a regular meeting of the Texas Tariff Bureau held in Dallas, Texas, on September 1, 1925, at which the following recommendations were adopted:

"That item 65, Texas Lines Tariff 29-C be amended to provide that on the shipments moving under the new interstate domestic rates an allowance will be made to cover the actual cost not to exceed 20 cents per standard bale, and 10 cents per pound bale, for the service of handling cotton and cotton linters from Galveston, Houston and Texas City to shipside. Subject to the note shown in item 65, the same allowance to be made at other Texas Gulf points, on request."

There was adopted at the same meeting following recommendations:

"That the lines serving the ports shall conduct an investigation at the earliest possible date, to determine the actual cost of performing that portion of service of trans- [fol. 819] portation which developed upon the carriers on cotton from the compress or warehouse to shipside and if necessary a public hearing on this subject to be called by the carriers." In the original order, the Interstate Commerce Commission did not state definitely whether the carriers were authorized or required to grant an allowance to waterfront plants to get cotton to adjacent docks. The petitioners for a reopening named in their petition this as one of the errors. While the Commission did not specifically refer to this in their order reopening the same, they did reopen it to consider what rates shall be established to preserve the carrier's revenues.

As indicating the importance of the issue whether any allowance shall be made to waterfront plants for getting cotton to adjacent docks, the difference between no allowance and 20 cents allowance is $100,356.20, and each 5 cent allowance affecting the carriers revenues to the extent of $25,089.25, on the cotton handled by the shipside facilities to adjacent docks. That computation is based on the amount of cotton handled to shipside as shown in this exhibit. The carriers ask that the Commission decide whether an allowance can lawfully and properly be made by the carriers, to the waterfront plants for getting cotton to shipside at adjacent docks, and if it is decided that such allowance can be made that the Commission determine what the amount or amounts of such allowances shall be in the proceeding. The next character of movement to consider is shown in Item 4, page 5, which is Texas cotton that has

been concentrated at interior and delivered at the ports on the domestic rate. On this cotton, the carriers still would allow one cent unloading, making the next revenue 82 cents. Hence it would be an increase in the revenue by the difference between the 79 and 82 cents or 3 cents per 100 pounds, or 15 cents per bale, which is shown in Item 4, and the total increase is shown in Item 5 separately for back of the waterfront and waterfront plants at Houston, and [fol. 820] the same information at Galveston. The total increase at both Houston and Galveston is shown in Item 6, Columns F and L, respectively.

The next character of movement to consider is cotton now moving export or coastwise under through bills of lading to foreign ports, or under bills of lading to the ports. The carriers are now earning revenue on this character of cotton on the basis of 83.5 cents, and under an 83 cent scale, the revenue would be reduced one-half cent per 100 pounds, or 2.5 cents per bale. This decrease is shown in Item 7 for Houston and Galveston separately, amounting, at Houston to $1,473.12 and at Galveston to $26,499.03.

The total gain under the 83 cent basis and 20 cent allowance on the entire movement to Houston and Galveston is $88,935.75 which is shown in column M. This is only 2.3 cents per bale, or less than one half cent per 100 pounds on the Texas cotton crop handled through Texas Gulf ports during the season 1924-25. This is arrived at by dividing the total increase by 4,373,364 bales. This is the number of bales of Texas cotton that was finally exported or shipped coastwise through the ports of Houston and Galveston and it is arrived at by adding together all of the cotton shown on page 5. It includes everything handled at Houston and Galveston except cotton that was reshipped to the Pacific Coast, to New Orleans and to the southeast. In ite-, 9, page 5, is shown the effect upon the revenues if the allowance of getting cotton from waterfront plants to adjacent docks is fixed at 15 cents per bale, and the amounts are shown separately for Houston and Galveston in columns F and L, while the totals are shown in the same columns just beneath these figures. The gross increase is shown in column M opposite item 9. For instance, item No. 9 under column F, the top figures show $20,786.55. Adding that amount to the net increase or decrease of cotton shown

in item No. 8, just above that, column F, results in the figures $60,439.68, making a total loss or gain at Houston [fol. 821] on cotton, on which we make an allowance of 15 cents from waterfront plants to adjacent waterfront plants. This increases the net revenues of the carriers at Houston $60,439.68 and at Galveston $53,585.12, making a total gain of $114,024.80, which amounts to 2.6 cents per bale on the entire Texas cotton crop handled through the Texas Gulf ports.

In Items 10 and 11 are shown corresponding figures as to the effect of an allowance of 10 and 5 cents, respectively for getting cotton from water front facility to adjacent shipside docks arrived at in the same manner as the effect of an allowance of 15 cents as shown in item 9 on the same page.

Attention is called to the fact that in arriving at the number of bales handled from waterfron*y* facilities to adjacent shipside piers, we have used 25 per cent of the total handled at waterfront facility shown in item 2 at Galveston. This is based on the fact that the evidence in I. C. C. Docket 14940 reported in 100 I. C. C. 160-161, shows that 75 per cent of the cotton delivered to waterfront piers at Galveston was drayed to other piers for loading into vessels, leaving only 25 per cent trucked to adjacent shipside docks. Based upon Mr. Thornton's testimony the situation has changed at Galveston, and that all of the cotton is now handled by drays from the waterfront plants to adjacent waterfront plants as well as to other waterfront plants, and that will have the effect of wiping out the increases shown in columns J, K, and L, of $4,302.50 at the 15 cent allowance, $8,605.00 at the 10 cent allowance, and $12,907.50 as shown under the 15 cent allowance. In other words, the total increase will be the same as shown in column L, namely, $49,282.62, at Galveston, providing the 83 cent rate is put in effect and the 20 cent allowance is continued. At Houston there was handled from one waterfront plant to another by cars 142,120 bales and by barge 5802 bales. Of this, 85.6 per cent was cotton of Texas origin. For this reason we have used a figure of 126,690 bales as moved [fol. 822] at Houston from one waterfront plant to another.

Page 6 is similar in arrangement and detail as page 5, the only difference being that page 6 is based on a rate of 82.5 cents and page 5 on rate of 82 cents. It reads 83.

Page 8 is a recapitulation of pages 5, 6 and 7. Attention is called to the fact that each reduction of one-half cent per 100 pounds in the rate creates reduction in revenue of $109,334.10 and that each reduction in the allowance creates increase in the revenue of the carriers of $25,089.05. Under an 83 cent rate and a 20 cent allowance to waterfront facilities, the apparent gain is $88,935 and as shown by item 8, page 5, and that under an 82.5 cent and 20 cent allowance to waterfront facilities the apparent deficit is $20,398. I use the word apparent advisedly, because various factors will materially affect these figures adversely to the carriers. A one rate plan may cause a change or shift in the movement either as between waterfront and back of the waterfront plants or between concentration at the interior and concentration at the port, or a greater or less use of through bills of lading. For this reason, as this proceeding is primarily a fight between the variously situated cotton merchants and innocent bystanders in order to insure the preservation of the carriers revenues the Commission should give the carriers the benefit of every doubt. If an 83 cent rate will apparently result in a small increase in the carriers revenues, and an 82.5 cent rate will cause an apparent deficit in the carriers revenues, the Commissions, if a one rate plan is finally decided upon, should fix an 83 cent rate. From page 7 an 82 cent rate will cause a deficit to the carriers even if no allowance whatever is made to the waterfront facilities, or if the carriers are not put to additional expense of performing service which they are not now called upon to perform at the waterfront facilities. Notwithstanding the position of neutrality of the Texas carriers as to the one rate plan or the two rate plan, *et os* [fol. 823] felt that if there are any changes that are reasonably certain to occur if a one rate plan is adopted, they should be pointed out to the Commissions, and that it is in the interest of a proper adjustment which will protect the carriers revenues that they be shown and the carriers are sure that they will be considered by the Commissions.

The first character of movement on which the carriers net revenue is most likely to be affected, is that on which they will have to assume the cost of getting the cotton from the plants to shipside. At Houston there is in effect a rate of $8.10 per car applying on all commodities between points in

Houston and points on the ship channel including shipside facilities.

There was organized and put in operation at Houston, affective July, 1924, an organization composed of the lines serving Houston, called the Port Terminal Railroad Association. The Port Terminal Railroad Association serves facilities at the municipal docks and other plants on the municipally owned facilities along the Houston ship channel. The facilities are either owned or controlled by the Harris County Navigation District and Harbor Board, which insisted as one of the conditions upon which they would turn over these facilities for operation by the Fort Terminal Railroad Association, that a switching rate of $8.10 be established to apply between all points on the Port Terminal Railroad Association and all points on the member lines in the Houston switching district.

The carriers very reluctantly consented to this rate as an experiment, and including the Port Terminal facilities but have not yet done so and have extended the rate from time to time. It expires August 31, 1926.

[fol. 824] The Houston carriers recently requested the Railroad Commission of Texas to call a hearing to determine whether this rate should be extended or to fix a proper rate for the service. The hearing was called for June 22, but by agreement between the carriers and the Harbor Board the rate has been extended until December 31, 1926. In the meantime, some agreement may be effected for an increase in this rate, or for a further extension until there is an opportunity to have a scientific study of the cost of this switching, or there may be a hearing before the Railroad Commission of Texas on the subject.

The Houston cotton exporters have availed themselves very extensively of this $8.10 rate, as it is the most economical method of getting cotton to shipside. The more bales they can get in the car the less cost is per bale. By loading 80 bales to the car, which involves expense of topping of 10 cents per bale on about 30 bales, the total cost per bale is about 14 cents, on all of the bales in the car.

During the season 1924-25, there were handled in cars at Houston in switching service 906,000 bales. The average load was 80 bales. The rate was $8.10 per car, or 10 cents per bale. There will be no incentive or obligation on the

part of concentrators to load cars so heavily, as it will involve topping at a cost of 10 cents per bale on from 20 to 30 bales, there is no reason to expect the average load to exceed 50 bales.

On the cotton handled at Houston in 1924-25 there were 673,000 bales at back of the waterfront subject to first concentration, which required over 8,000 cars. To handle the same number of bales at 50 bales to the car, would require 13,500 cars, or 5,500 additional cars. That is if the average [fol. 825] load were reduced from 80 to 50 bales, and once a minimum is prescribed the shipper will be free to take as few as 25, or even 1 bale. Assuming the cost to be only $8.10 per car, the additional cost of handling would amount to $45,000.00.

There were also 126,000 bales handled from one waterfront facility to another, which required 1,500 cars, but would require 2,500 if loaded 50 bales to the car. This would mean an additional expense of at least $8,000 based on the present temporary unremunerative rate of $8.10 per car. The charge for second concentration is only 3.5 cents per 100 pounds or 17.5 cents per bale. The present high cost of drayage makes it to the interest of Houston concentrators to avail themselves of this privilege, but on this character of cotton also they will not be obligated to load any particular quantity, and cannot be expected to load more than 50 bales to the car, as it will involve extra expense of topping. There were 150,000 bales of this handled by back of the waterfront concentrators, which required about 1,900 cars, but at 50 bales to the car would require 3,000 cars, a difference of 1,100 cars, which, even at $8.10, the present temporary unremunerative switching charge, would mean $8,800.00 worth of additional free service performed by the carriers. These figures do not take into consideration the fact that the heaviest movement is at the season when the next largest commodity handled by the carriers, grain, is moving, and when there is the greatest demand for cars. These cars would earn the carriers vastly more than $8.10 per car in this or in fact any other service. Nor do they take into consideration the additional motive power which will be needed for such additional cars.

There are a number of other ways in which the revenue of the carriers will be affected, and the apparent increase

of $88,935.75 under an 83 cent rate and a 20 cent allowance will be cut down. For instance, our computation shows an [fol. 826] increase on Texas cotton concentrated at the interior, delivered destination on the intrastate rate. These figures were obtained from the concentration claims themselves.

Some of this cotton was changed to the export rate after it arrived at Galveston, and is included in the Galveston statement of export cotton on which we sustained a loss of .5 of a cent per hundred.

This did not occur to us until after these exhibits had been prepared and there was not time to follow each and every shipment to destination to determine the total number of bales that were so changed. However, our auditor has, at my request, checked the billing attached to such concentration claims for the month of November, 1924, and found that a total of 1,727 bales out of 42,921 bales billed at the local rate were changed before delivery at Galveston to the export rate. This was 4 per cent of the total number of bales concentrated at the interior consigned to Galveston. If this percentage held true for the rest of the season and for all lines there were 4 per cent or the 505,211, or 20,000 bales that were changed. We have shown on this a gain of 3 cents per hundred, or 15 cents per bale, which will amount *of* $3,000, and the apparent gain on this character of cotton would be that much less. This should not be deducted from the cotton shown on pages 5, 6 and 7, as the export. figures shown thereon were obtained from a check at Galveston of the freight bills themselves. In addition to the salary expense for the handling of additional claims, the supervision, stenographic, stationery and rental expense will amount to at least .2 of 1 cent more, making a total of 1 cent. On the additional cotton we expect to have to concentrate under the one rate plan. In addition to this our auditor has computed the additional cost of handling such claims at .5 of 1 cent making the total cost of 1.5 cents per bale. There was available for first [fol. 827] concentration at Houston 1,216,586 bales, and at Galveston 1,256,506 bales, a total of 2,473,092 bales. The expense of handling these concentration claims, therefore, would be, at 1.5 cents per bale, $37,096.38. Under a one-rate plan there will be concentration claims filed on 2,473,-

092 additional bales—that is a minimum estimate. We have computed this 86,050 bales at 5 cents per bale and shown that the carriers' revenues would be increased $4,302.50, or 25 per cent, on this movement, which we figured would go to adjacent docks. We have also computed this on a 10 cent and 15 cent allowance. All of these 86,050 bales should also be on a 20 cent allowance, and the figures opposite items 9, 10, and 11, column L of pages 5, 6 and 7 should be obliterated entirely, and the figures in column M opposite these items will be the same as shown in column E opposite items 9, 10 and 11, as representing the total loss or gain in the revenue that will accrue to the carrier under an 83, 82.5 and 82-cent rate.

There was handled at Houston 275,000 and at Galveston over 500,000 bales of this cotton, which was concentrated a second time. This would impose upon the carriers an expense of 20 cents per bale, or $155,000, for which they would not receive any compensation in transportation economy. In fact, it would involve the handling of additional concentration claims which has been shown to cost 1.5 cents per bale, or over $10,000.00. This item alone would entirely wipe out the apparent gain even on an 83 cent basis. In fact, it would cause actual loss. It would amount to .4 of 1 cent on 4,373,364 bales, the total number of bales of Texas cotton that moved to foreign or coastwise destinations via the ports of Houston and Galveston. For this reason, if the Commission should find a second free concentration at the ports to shipside at such ports necessary to acoid discrimination, the carriers respectfully represent that they must have a rate of 83.5 cents on Texas cotton to preserve their present revenues. If, as a result of the one-rate plan, the port concentrators discontinue buying concentrated cot-
[fol. 828] ton from interior concentrators, and purchase it at the country stations and ship it compress in transit without interior concentration, or if they purchase a larger volume of the free city cotton at compress points, then the revenues of the carriers will be affected in that we have shown on the cotton previously concentrated at the interior that we would gain 15 cents per bale.

There were during the 1924-25 season 518,919 bales delivered at plants back of the waterfront at both ports, which had been previously concentrated at the interior. This num-

ber of bales at 15 cents per bale amounts to $77,837.85. This amount very nearly wipes out the apparent increase of $88,935.00, as shown in column M, page 5, as the increase under the 83 cent rate. There would be a corresponding effect on the computation shown on pages 6 and 7 where increases of 12.5 and 10 cents have been figured instead of 15 cents as figured on page 5.

We are firmly of the opinion that at least an 83 cent basis is necessary to preserve these revenues under a one-rate plan, and that the figures we have presented justify such a basis, which we respectfully request be prescribed if a one-rate plan is prescribed.

[fol. 829] The amount of drayage the carriers are actually paying at Galveston is 20¢ per bale. I made an investigation through our accounting department, I wrote our Agent at Galveston, and I personally talked with the agent and with a man who actually handled the vouchers for the payment of dray claims at Galveston. The charge is uniformly 20¢. There have been a very few claims filed by one firm at 18¢. Referring to page 5 of Exhibit 189, if no allowances were made for handling there would be no concentration. We think it would be the same as under the 5¢ (R. 3887) allowance on our revenue. That applies also to pages 6 and 7, where the 5¢ allowance is shown. That would apply only to water front facilities in cases where no concentration was taken. On page 3 there is a note at the bottom reading: "Figures making reference to notes are taken from the annual report of the Houston Cotton Exchange." That refers to Item 6-A re-shipment from Houston to the southeast, Pacific Coast and New Orleans, and after it should be added in parentheses "Note: that is the only figure in this exhibit which is based on the annual report of the Houston Cotton Exchange." On pages 5, 6, and 7, Item 7, there is a statement: "Reduction in revenue on cotton handled on through export and coastwise bills of lading." That should read: "On through export and coastwise bills of lading or bills of lading to the port for export and coastwise movement." It has no effect upon the computation, (R. 3838) because the rate is the same on through export bills of lading as on the bills of lading to the port, so far as the rail service is concerned. Page 5

states that it is based on an allowance of 20¢ per bale for delivery to shipside from non-adjacent and from back of the water front facilities and allowances for delivery to shipside of 20¢, 15¢, 10¢ and 5¢ per bale from adjacent plants. On cotton moved on through bill of lading, export bill *od* lading, in getting that cotton within reach of the ship's hatch, the carriers are paying for the unloading 4¢ a bale at Houston and 5½¢ a bale at Galveston. That is all the expense we are put to except for the terminal switching. The terminal switching is not involved in all of it, [fol. 830] because some of the cotton at Galveston, for instance, is delivered on our own rails, to the Galveston Wharf Company for delivery to consignees on our rails or delivery to shipside. As a matter of fact, there were only 59,000 bales of that kind of cotton handled at Houston. There is no difference to us in the cost of handling at the ports, adjacent facilities, water front facilities on cotton shipped on domestic bill of lading endorsed for export. The service we perform is the same (R. 3890). I am talking about physical service. We make a contract with a Stevedore concern for unloading all of our cotton. We make provision in this contract that the contractor for unloading would allow any one who operates a private dock exclusively to unload his own cotton and we pay them the same price that we pay the regular stevedores, and we also make a contract on the same basis for handling certain products, cottonseed products and things of that kind, on the same basis that we would pay our regular contractor to perform the same work. I do not think there is any good reason for the difference in price at Houston and Galveston. I think we probably pay a little too much at Galveston, but the Galveston Wharf Company charges that much and we can not get any private individual to take it for any less. We have no contract at Galveston. That is handled by the Galveston Wharf Company. On our cotton moving on through bills, the storage is included in the rate; those computations do not include the wharfage (R. 3892). On a domestic bill of lading where the 80¢ rate should apply going to a shipside facility, we would absorb 1¢ per 100 pounds at Houston for unloading. We can have the unloading performed for 4¢ on export traffic (R. 3893). The allowance is not made to the same

people and there is not the same volume. The unloading at the docks is very much larger volume than it is at the various compresses. We make the allowance of 1¢ per 100 [fol. 831] lbs. under the 80¢ rate regardless of where the traffic was delivered at Houston. That is what we are able to have it contracted for at Houston (R. 3894). We pay 5½¢ on one and 4¢ on the other at Houston, but it is not identical service. It is not performed in the same place or in the same volume. One contractor at Houston has the contract with all railroads at Houston to unload all of the cotton for export and coastwise. It is not an allowance (R. 3895). There is very little expense connected with investigating the claim for the unloading allowance of 1¢ on the 80¢ rate. We get the claims amounting to 1,500 or 2,000 bales at one crack, and all that is necessary to do is for the Auditor to cancel the freight bills. The Auditor has to check them back against the Records. The nature of the freight bill is evidence itself that it was not concentrated at the port, and if it was not concentrated at the port it is entitled to the unloading allowance. The Western Weighing and Inspection Bureau has to cancel all freight bills, as they do on all cotton moving through the ports of Galveston and Houston (R. 3896). The allowance of 1¢ for unloading is made regardless of where it is unloaded. The shipper may unload it at a back from the water front facility or he may unload it at a water front facility.

Cross-examination:

Exhibit A-189 is based on the assumption that there will continue to be in the future no greater movement of through export cotton or for export cotton, that is, bills of lading (R. 3897) marked for export or coastwise cotton where the 83½¢ rate applies. I have not the exact figures, but there has been some decrease in the amount of through export cotton moving through the Texas ports, in the last three or [fol. 832] four years. I do not know whether the establishment of the one rate plan would have a tendency to increase the volume of through export movement. I do not think it is safe to speculate. It would affect our revenues if a portion of the traffic was handled under through export bill of lading coastwise movement. If the amount of export cotton

were decreased and the amount of compressed in transit cotton were increased accordingly, it would (R. 3898) affect our revenue. It would depend on what became of that character of movement. I think it would be impossible for the cost of getting to shipside from the various plants at Houston to be as low as 10¢ per bale (R. 3899). If no allowances were made to the shipside plant for getting to the shipside, we would get the full 83¢ on that cotton. The haul would not be as long as the haul to Galveston, and if no allowance were made, it would naturally follow that we would get more revenue out of that than we did out of the cotton we moved to Galveston. In estimating what should be one rate, we have assumed that the condition will remain just as it is. No one can foresee (R. 3900) the effect that the one-rate plan would have on the character of movement as between compressed in transit, concentrated in transit, as between export and local, as between cotton handled by dray and cotton handled by barge and cotton handled in cars, but we think that the changes are matters for speculation entirely, and it was not safe for us to speculate in figuring the effect on our revenue. We did make allowance in our exhibit for the increase that would occur under the 83¢ rate to shipside facilities if no allowances were made (R. 3901).

I did not testify that there was a greater cost of switching to the facilities at Houston than there was at Galveston. [fol. 833] I did not go into any comparative study of costs in this case for the reason that we do not have any switching at Galveston. The charges at Houston are uncertain because of the stop period on their application and because of the construction of two boulevards to the shipside channel.

I have been informed by officials of the Houston Compress Company that they intend to build an 800 ft. additional facility on the ship channel. The work is already under way so far as the preparation of the ground is concerned (R. 3907). I am familiar with the recent announcement about building a $5,000,000 cotton warehouse and compress at Manchester. That would be a shipside facility. These facilities will have to take cotton away from existing back of the water front facilities, water front facilities, or the interior. There is an additional expense in getting from up-

town at Houston down on the ship channel, to the extent of the cost of the switching by the Port Terminal Railroad Ass'n. On a car coming in over our own line for up-town Houston versus a car going down on ship channel, there would be the same difference in the expenses, so far as traffic going to the Port Terminal Railroad Association is concerned (R. 3907). We have no cotton facilities on our own line on ship channel that are adjacent to the water front. The new Manchester facility will not be on our lines; it [fol. 834] would be on the Port Terminal Railroad Association. On all the cotton coming in over our lines going directly to the ship channel, we would have an additional expense of making delivery on the ship channel versus making delivery uptown Houston, to the extent of handling the switching service by the Port Terminal Railroad Association. We deliver our line haul traffic to the Port Terminal Railway Association. That is all the assembling service that occurs going to the points on our lines, and in addition to that the expense of handling by the Port Terminal Railway Association. We deliver it to them on inter-change. On a car coming in over our line going directly to the Houston Compress and Warehouse Co., that is served by the International & Great Northern Railway, we would have the same expenses that we would have on a car going to the Port Terminal Railroad Association. So far as the International & Great Northern is concerned, I imagine that expense would be the same in handling from our (R. 3908A) interchange to the Houston Compress Company as the expense of the Port Terminal Railroad Ass'n. handling from our inter-change to the facilities on their line. We make delivery direct to the International & Great Northern, and they would take it down to the Booth Yard, and there rehandle it. It first goes through our regular breakup yard, classified, and delivered to the International & Great Northern the regular inter-change.

[fol. 835] I understand that they would draw it to the Congress Street yard, where it would be classified in going to the ship channel. I know that only from hearsay (R. 3909). There might be some traffic handled by the International & Great Northern to the Houston Compress which would not go through the Congress Street Yard, because they have quite a movement from their five compresses

where the Farm Bureau traffic is handled going direct to the Houston compress, and they might at times have sufficient of that traffic in to require it to be handled through the Congress Street yard. There might be some handled from Booth Yard for classification from our Interchange, or from their Percival yard to Booth yard, rather than from Congress St., but the extent that traffic is diverted and increases the business of the Port Terminal Association from our line, our expenses of making delivery will be increased over the deliveries on our own railroad. They have not given consideration in this computation to changes of that kind. We have given this thought: That the expense for handling will be at least 20 cents a bale. That is in instances where the Terminal Railroad will effect delivery where we are now effecting it ourselves (R. 3911). I do not calculate that that 20 cents would represent the difference between our costs. I have not attempted to calculate the difference in the cost. I did not testify on direct examination that there was a difference between the cost of delivering line haul traffic on our rails and the cost of delivering traffic to the Port Terminal Association. I simply testified as to the expense of handling cotton from plants in Houston to shipside, as we would have to pay that expense under a one-rate plan on cotton that had not been previously concentrated, and might have to bear at less revenue the 3½ cents for second concentration on cotton if it previously had been concentrated in the interior (R. [fol. 836] 3912). Item 4 shows that we calculate we will receive the increase of 3 cents on 151,934 bales at back of the water front and 122,241 bales at water front facilities at Houston. We deliver that 151,934 bales now at 80 cents. We allow 1 cent unloading. Under the one-rate plan of 83 cents, that will become 83 cents, but we will still allow 1 cent unloading. That will be a difference between 79 and 82 cents, that is, 83 cents less 1 cent unloading under the 83 cent rate, and 80 cents less, under the present 80 cent rate the difference of 3 cents, or 15 cents a bale. We have no further handling of that cotton, because it has been previously concentrated. There is no provision that the shipper may concentrate that cotton except at a charge of 3½ cents per 100 pounds (R. 3913). That is presuming we make the 20 cent allowance to them as we do to others.

I have now shown also the effect where we make no allowance charge, and making 5 cents allowance is equivalent to no allowance at all, because they would not deliver the cotton for handling to shipside but would take the allowance of one cent for unloading, which would make the same result. I have made no computation based on making no allowance at all (R. 3915). Exhibit 189, page 5, shows that after we had deducted the reshipment all-rail, we had left of Texas cotton delivered to the water front facilities at Houston 542,421 bales. In addition to that we had 122,241 bales of Texas cotton which had been previously concentrated in the interior. In our computation of Item 2, we have assumed that we may have to make a 20 cent allowance on the full 542,421 bales. In Items 9, 10, and 11, we have assumed that we may have to make an allowance of 15, 10, or 5 cents on 415,731 bales of the 542,421 bales. We deducted from the 542,421 bales the 126,690 bales that were moved from one water front facility to another water-front facility. By adding together the 415,731 bales and the 122,241 bales, we get the total bales of [fol. 837] Texas cotton delivered to plants at the water front at Houston which were not moved to any facility other than the adjacent wharf (R. 3916). Adding 415,731 and 122,241, it makes 537,972 bales at Houston going to shipside facilities on which we would receive an increase of 3 cents per 100 pounds in the event no allowance is made to the shipside facilities for delivery to the wharf (R. 3917). The carrier would take a loss on 58,925 bales at Houston by reason of the reduction in rate. On cotton that has not been previously concentrated, we get an increase of 4 cents, and that would be offset by the allowance we make on the cost of getting it to shipside, about 20 cents. So there would be no increase or reduction (R. 3919). At Galveston we show 138,226 bales delivered to shipside on which we will get an increase in revenue and that represents the cotton that was previously concentrated at interior points. 344,202 bales were delivered to the shipside facility at Galveston that was not previously concentrated at the interior. That was delivered at water front plants under the domestic rate of 80 cents. It did not go direct to ship because it was delivered on intrastate rate. I do not know whether or not the facility to which we delivered it made

direct shipside delivery (R. 3920). At Galveston we would receive an increase on only 138,226 bales. The only increase to us at Galveston is on cotton that has been previously concentrated in the interior, and received at the port on the intrastate rate (R. 2931). That consists of 366,985 bales at the back of the water front plant and 138,226 bales at the water front plant. We would receive an increase on only 506,211 bales at Galveston (R. 3922). On page 3 of Exhibit A-189, the 274,175 bales had been previously concentrated in the interior. The 80 cent rate was applied on it. The 80 cent rate was applied on the 56,814. We made no survey of previous concentration on cotton delivered on export or coastwise rate (R. 3923). In regard to the item of 274,000 bales, we investigated and had the claim [fol. 838] records of every Railroad investigated, and instructed compilation of figures as to the number of bales in these claims that moved to the port under the intrastate rate (R. 3924). The claims themselves show it was concentrated. I know that the 274,175 bales had been concentrated and merchandised in the interior before it reached the port (R. 3925). On page 4, there is 505,211 bales of the same character of cotton. That is part of the back of the water front and partly water front (R. 3926). In regard to the reason for not assessing the export rate on cotton that has been concentrated at the interior and shipped to the port, I could answer two ways. We have to be governed by the tariffs. There is a tariff (R. 3927) applying the 80 cent on intrastate shipment, and the 83½ cent rate on export shipment. I do not know whether any of the 700,000 bales that had been merchandised and concentrated in the interior is reaching the shipside without rehandling and re-merchandising at the port. It does not necessarily indicate that (R. 3928). Taking Exhibit A-32, a drawing of the floor plan of the Houston Long Reach plant, and assuming that this warehouse is located back of the water front in Houston, and taking cotton stored in Compartment No. 3, assuming that the warehouse is going to handle that cotton to us for movement to shipside, I say that our responsibility will begin when that cotton is loaded in the car for movement to shipside. If they call upon us to make delivery of that cotton to shipside, we would have a right to require them to load it into the car before we

would sign the bill of lading. I do not see any reason why we should make an allowance to them for breaking the cotton out of Compartment No. 3 and trucking it out to the platform. It would be our privilege to require the shipper to load the cotton in a car on our adjacent track (R. 3932). That devolves upon the water front as well as the back of the water front men, if he expects us to perform that service of getting it to shipside (R. 3933). We would not make [fol. 839] the back of the water front man an allowance for moving it out of Compartment No. 3 and trucking it either to the front or back platform. We are not called upon to perform that movement from back of the water front to shipside at Houston, because they handle it as a separate independent proposition, as a carload of cotton, by switching. They do not take transit on it. We will not make an allowance to the water front man, we would not be called upon to do so, because we would require him to deliver the cotton into (R. 3934) the car outside of the platform. We are talking about the one-rate plan. He has paid 83½ cent rate, which will take the cotton to shipside, and the rate to the back of the water front and to the water front plant being the same rate, he can tender it to us, he having paid the full charge. On an export bill of lading, for that matter, from Houston to foreign points, he puts it into the car, and we do not know anything about the expense he has incurred in getting the cotton into the car. The assumption based upon 20, 15, 10 and 5 cent allowance to the shipside man is based on the fact that that is a maximum amount we would pay the contractor rather than handle it ourselves. We do not make allowance today at Galveston except for the expense of getting cotton to shipside. Whether he pays 20 cents to the drayman for handling his cotton to shipside, we assume he gets that cotton outside the compress or warehouse. It does not include any intra-plant service (R. 3935). In switching cotton from the Long Reach warehouse to another warehouse, the allowance to them for that switching service should not, in my opinion, include any of the cost of breaking it out of Compartment 3 and trucking it to the platform and loading it into the car ready for switching (R. 3939). It is not my position that the carriers should pay the Houston Compress Company [fol. 840] any part of the expense of breaking the cotton

out of Compartment 3, trucking it to the platform, and loading it in the car, getting it ready to go to Weatherford, Crump & Company plant (R. 3940). Page 5, of Exhibit A-189, opposite the Item 8, figure 8 under Column J, shows 1,095,961 bales that were moved under export bill of lading, port of coastwise bill of lading, or through bill of lading, and assuming that a large part of it moved under through rate from a point in Texas to New England territory, the reduction in the export rate to Galveston would affect the revenues on that traffic, because the rate is based generally on combination on Houston, and as the rate to Houston was [fol. 841] reduced from 83½ cents to 83 cents, then the through coastwise rate to New England points would be reduced accordingly. If there are a great many of these rates lower than the combination on Houston to Canadian mills and New England mills today, then our revenues would be reduced on the rate to Galveston for export or coastwise. I have not included shipments on which we would not lose 2½ cents. I will qualify my statement. Where the rate is not based on combination, it would possibly affect the revenue, but practically none. If the rates were based on combination, then our revenues would be affected, but that is a very minor thing in importance (R. 3942). On cotton which is brought to Houston or to Galveston to the waterside concentrator, today that waterside concentrator files a claim on every bale of cotton for refund of unloading charge to be recovered from the railroad, if he does not concentrate it and reship it. If he concentrates it and reships it, he files a concentration claim anyway. We do not exactly consider the claim for the unloading allowance a concentration claim; all that is necessary to support it is the freight bill itself. About other concentration, the expense is very much greater, because you have to get back the bill, check claim against the bill, and also on the unloading you have to check the through rate and you have to rearrange and readjust your divisions with the other lines and you have to check to see whether it has had previous concentration or not. Those are three factors you don't have on the other (R. 3943). Under reciprocal routing, where the cotton was delivered to the ship's berth at the port, we would have to readjust the division, because we would have to allow the other line the division after deducting the proportion for

the line beyond, say to Galveston or to Houston. At Galveston where there is no reciprocal routing to the water front, we would have to go to additional expense in handling those particular claims that we do not now incur in handling claims for the one cent unloading; we would have [fol. 842] to pick the claim out if we did not have previous concentration. I do not know if there would be any particular expense, (R. 3944) unless at the division there was some arrangement made with the line for reciprocal routing from Houston to shipside. There is a question of per diem that enters in, readjustment of per diem between the lines at Houston that bring the cotton in and the lines that take it to shipside. You would have that expense you do not have on unloading claims. Also, unloading claims are generally filed in very large numbers. I do not think the other claims would be filed in very large numbers I believe they would be filed in bill of lading lots. If they were not, it would reduce the cost per bale, but the bill of lading lots are as low as 50, and our average cost per bale is based on the assumption that they were to file the claims in bill of lading lots of 200. At the present time on cotton which is concentrated at Galveston and delivered to the Mallory-Morgan Steamship line for reshipment to New England Mills, where the combination is higher than the through rate, the Galveston concentrator files claims against us on that particular cotton (R. 3945). We allow today the expense of getting that cotton to the dock, not to exceed 20 cents. We assume that we could continue to have that number of claims handled and in addition thereto we would have claims that would arise under a one-rate plan. That character of cotton would be included in the 1,059,961 bales (R. 3946).

Redirect examination:

Exhibit A0190, is a statement showing the effect upon carriers' revenue of the one-rate plan applied to 909,787 bales of cotton from Arkansas, Oklahoma, and Louisiana, based upon result per bale on revenue on cotton moving from Texas points to Galveston and Houston during the 1924-25 season. The figures on page 2 of my exhibit A0189 indicates that 1,065,071 bales of Arkansas, Oklahoma, and Louisiana cotton were received at Houston and Galveston.

Galveston receipts include 71,480 bales from these states that were reshipped from Houston, and this figure deducted [fol. 843] from 1,065,071 bales leaves 993,591, net receipts at both ports from these states. Of the 993,591 bales, 83,804 were reshipped under transit to the Southeast, Pacific Coast, New Orleans, and other interstate destinations, leaving 909,787 bales that were put aboard vessels at Houston and Galveston. We have shown the rate per bale under each rate and under each allowance, on page 8 of Exhibit A-1189. We have applied the same rate per bale to each of the rates and under each allowance under each of these rates and obtained the figures shown in this exhibit.

My exhibit A-191 is a compilation of the figures on page 8 of my exhibit A-189, which shows the effect of the one-rate plan under the various rates and allowances on Texas cotton delivered at Galveston and Houston (R. 3948). Exhibit A-191 is a consolidation of page 8 of exhibit A-189 and A-190. We have not classified the change in this case as we did with Texas. We have simply arrived at the effect per bale on our rates under Texas on Texas cotton and applied the same rate per bale on the cotton that moved from Arkansas, Oklahoma, and Louisiana to the Texas Gulf ports (R. 3949). My exhibit is based upon the assumption that the movement from Oklahoma, Arkansas, and Louisiana would be the same relative amounts moving on through bill of lading, the same relative movement under coastwise or export bill of lading, the same movement under depot delivery, and the same amounts that had been previously concentrated. I do not know whether it is a fact or not. We were unable to secure figures as to the amount of cotton previously concentrated at the interior and moving to Houston and Galveston under the domestic rates in time to or sufficiently complete to make the same computation on Oklahoma, Arkansas, and Louisiana as we did on Texas. Therefore, we assume that the relative amount is just the same as on the Texas cotton. (R. 3950).

[fol. 844] WITNESS W. B. DRAKE

I am Superintendent of the Port Terminal Railroad Association, Houston, Texas. I have had three years' experience in the operation of railroads. (Mr. Reed): His

qualifications are admitted.) The Port Terminal Railroad Association is an organization maintained by the Houston Railroad to serve the public docks and channel industry. All the lines entering Houston compose it. We receive from the different dealers and lines business destined to the docks, warehouses and industries along the (R. 3951) channel, and deliver it to the consignee. Referring to exhibit A-121, filed by Mr. Griffin, showing a map, our Northside classification yard is represented by location No. 7 in the legend of the map. Our facilities extend towards the lower right-hand corner of the exhibit, along the ship channel on both sides of it. (R. 3952). We perform only as a switching carrier. We perform no road haul service. The Port Terminal Association interchanges traffic with the Southern Pacific, Katy, Gulf Coast Lines, Texas and Pacific, and the Houston Belt Terminal in the North Classification Yard. That is shown as No. 7 on Exhibit A-121. The Port Terminal Association interchanges with the International and Great Northern at a point approximately opposite the letter P near figure 8 on this map. We serve 11 docks, 11 industries, and 2 warehouses back from the water front. My exhibit No. A-191 shows the cost per car of all switching service performed by the Port Terminal Railroad Association from July 1st, 1924 to June 30th, 1925, as one period, and from July 1st, 1925 to April 1st, 1926 as one period. (R. 3953). All expenses of operation and maintenance are included in this exhibit. The average cost per car as shown by the exhibit for the period beginning July 1st, 1924, to June 1st, 1925, is $4.79. The average cost per car as shown by the exhibit for the period July 1st, 1925, to April 1st, 1926, is $5.00 per car. The average cost for the entire period of two years from July 1st, 1924, to April 1st, 1926, is $4.8779. The average cost shown on the ex-[fol. 845] hibit is arrived at by dividing the total expenses for operations for the entire period by the total number of loaded cars handled. (R. 3954). Our entire expense is switching expense. This average cost does not include per diem cost. The per diem is paid by the member line in accordance with the number of cars they handle. The average detention of cars on the Port Terminal Railroad Association is 4.45 days. (R. 3955). The per diem cost, in my opinion, should be added to the average cost in order

to obtain the entire cost. We receive a large volume of cotton for the Turning Basin Compress in both the Northside and Southside yards. (R. 3956). No. 7 represents the Northside yard. We receive our traffic from all the railroads in Houston at that point, except the International, Great Northern which we receive on the southside location P. We do not receive any traffic at the Booth Yard, except the International & Great Northern. The distance from the North yard to the Turning Basin Compress on 7 and 8 and the distance from the International & Great Northern Interchange is 1.75 miles. The distance from the North Classification Yard to docks 11, 12, and 13, is 1 mile. The distance from the North yard to the International & Great Northern is 1.34 miles. The distance to the Manchester wharf is 4.2 miles from the North yard, and 2.5 miles from the South yard. From the North yard to docks 1, 2, 3, and 4 is 1.75 miles. (R. 3957). And from the South yard is .2 of a mile. The Turning Basin Compress takes the most cotton. They probably receive half of the cotton we handle. I am familiar with the new facility that is being established on the ship channel; it is 5½ miles from the North Yard and 4½ miles from the International & Great Northern. It is the intention that this building will be in operation this season. (R. 3958). From my experience in operating the Port Terminal Railroad Association, I would say that the cost of handling cotton between cotton facilities and our line is greater than the average cost for traffic as shown on my exhibit No. A-192. It is a [fol. 846] special service; it comes to us in transfers mixed up in other freight, has to be blocked out to the various docks and compresses and then delivered. On our general run of traffic, it comes to us in train-load lots. We handle trainload lots for the Manchester industries, which are the Texas-Portland Cement Company, the Deep Water Refinery (R. 3959), The American Maid Mills, the Sinclair Refinery, the Clown Refinery. To handle in trainload lots would tend to decrease our average cost. We handle empties into the Portland Cement plant and loads out. In addition to the service of the Port Terminal Railroad Association, the other carriers, on cotton originating at back from the water front plant at Houston, make it up, move it to their main classification yard stock, put it in the Port

Terminal Railroad transfer prior to delivering to us. (R. 3960). I was formerly Superintendent of the International and Great Northern. I am generally familiar with the Houston Terminal and the operation of the lines in that Terminal. I would say the service of the various facilities to get the cotton to our Interchange is greater than the service of the Port Terminal in delivering from the Interchange. It is my opinion that it is 50 per cent greater. I am familiar with the method of the International Great Northern in switching to the facilities of the Anderson, Clayton & Company, Sprunt, and Magnolia. I would say that the expense of the International & Great Northern in switching cotton between Booth Yard and those plants is greater than the average expense shown for the Port Terminal Railroad Association on exhibit A-192. It has to be switched out a great number of cars by the car; they order it in by particular individual cars. In our case, we have 25 cars to the Turning Basin Compress, and put on one or two tracks that are furnished. (R. 3961). We do not have to deliver it car by car. The International Great Northern performs other services than the services in Booth Yard to the plant on cotton from back from the water front from the Booth Yard. There is at least a move of five miles, reaching the Booth Yard, returning back from the back from the water front compress. The expense of the operation of the Port Terminal Railroad Association is [fol. 847] divided on the number of cars handled by each line. It is based on the number of loaded cars interchanged with the Port Terminal Railroad Association by the other line (R. 3962). The per diem assumed by each line would approximate $4.00 on each car.

Cross-examination:

We do not receive cotton which would be destined to move to the Long Reach and Sprunt Plants on the International & Great Northern. The cotton we receive would be only that cotton which was destined to the facilities that we serve, unless in exceptional cases they might divert the car from the Turning Basin Compress to handle and before we had shifted to Long Reach (R. 3966). The .2 of a mile is on the south dock only. In that event the cotton is coming into

our facility, going to the Turning Basin Compress and that would be a haul of one mile. If it came from any line other than the International & Great Northern, it would be received in Yard No. 7, the North Yard. If it came from the International & Great Northern, it would be received in the location near P on the South side of the turning basin. I do not know the extent to which the International & Great Northern uses the Percival Yard on the North side to classify cotton moving to the ship channel. I do not know of any reason why they could not classify that cotton in the Percival Yard and move it direct to Booth Yard or to facilities on ship channel (R. 3967). The operating convenience of the carriers may determine the point at which the classification service is performed, as well as physical conditions in the yards. The practice may vary as conditions vary. If there were sufficient classification yards at Percival Yards on the North side, for the shipments to be broken up, segregating those that are to go uptown and those that go down to the channel, I know of no reason why that should not be done. I think that the International & Great Northern does in fact classify to a certain extent its cotton movement received in Percival Yard. I do not know [fol. 848] to what extent (R. 3968). The Southern Pacific classify their cotton in Booth, Hardy Street, and Englewood yards. They might handle it at any of its other yards, according to its own convenience. We get the Santa Fe cotton through the Houston Belt & Terminal Railroad at our North Classification Yard, represented by figure 7. The Santa Fe would receive that cotton in the South Yard marked No. S. That is the Houston Belt & Terminal Yard; the Santa Fe delivers it to them at that point. It would be classified there and moved to our facilities into our North Yard No. 7. It is 10 miles from our North Yards to the eastern limits of our line. There are industries in the Southern or Eastern end of the line, and we have a very heavy movement to and from those industries (Record 3969). That movement would be substantially greater in amount and length of haul that the movement to the cotton docks we serve. We do not deliver train lots to the American Maid Flour Mills. We would have a train lot going down to the group of industries at Manchester which includes the American Maid Flour Mills. It would be set

out to each particular industry after it got there. We would not put the cars in order to serve the various industries before we took them out of the North Yard; that would be done at Manchester (R. 3970). Classification in the North yard would be necessary only to the extent of lining up Manchester industries on one track regardless of the industry. I have not undertaken to segregate and determine the cost of handling any particular class of traffic, or handling to any particular industry as contrasted with other classes of traffic. Taking ten cars originating in the interior consigned to us upon a through bill of lading and originating on the International and Great Northern, at Palestine, and taking ten cars consigned to the Houston Compress Warehouse facility marked P on Exhibit A-121, on a local Texas domestic bill of lading, those 20 cars coming in on the International & Great Northern yard train, into the yard marked 5 on Exhibit A-121, there would be no difference in the service of handling those cars from Yard 5 down to the ship's channel (R. 3971), assuming that they arrive at Percival Junction in the same train. If 10 of them are going to [fol. 849] the public dock for export, they would be placed on interchange tracks in that yard for the Port Terminal Railroad. The International & Great Northern would give it to us at about No. 8 on this map, and if it belonged to the Turning Basin we would take it over to North Yard No. 7 and classify it, but if for the public dock on the South side, we would place the whole 10 cars into those tracks. The 10 cars going to the Houston Compress Company would be ordered in a car at a time and by car number, or they might be ordered in all at one time (R. 3972), and that would involve additional cost and additional switching on the part of the International & Great Northern. It would be more costly than setting in the 10 cars to the public dock. If one car was consigned to the McFadden Plant via the Congress Street Yard, and the other ten are consigned to the Houston Compress Company on the ship channel, they would come in from Palestine in the Percival Yard, shown as Symbol 5 in Exhibit A-121, in the same train. The one car would be placed in a separate cut for the Congress Street yard. All of the cars would not be brought to Congress Street

Yard for classification; they would make the classification in Percival Yard. Only trains would pass through the Congress Street Yard (R. 3973) going to Booth Yard or the Long Reach Wharf. The others would be destined to Congress Street Yard, having in the train cars of the McFadden Warehouse and other industries in that section. There would be additional cost to the carrier in going on to the Ship Channel over what it would cost to come down to the Congress Street Yard and place it. There would be a material cost. It would have to average $5.00 shown on Exhibit A-192 plus the cost of bringing it from the Congress Street Yard down to the Interchange point. That would be way and above what it would cost to bring the car down to Congress Street Yard (R. 3974). The varying distances [fol. 850] which I gave from points on the ship channel to different industries are all absolute distances applies to the trackage operated by the Port Terminal Railroad Association. The cost shown on our Exhibits A-192 and A-193 is only the cost from the interchange point in making this. Weatherford, Crump's location on this map, Exhibit A-121, is about opposite the letter T, under T. & N. O. Railroad. A car of cotton brought into Houston by the International, Great Northern, delivered at the Percival Yard at Circle 5, destined to Weatherford, Crump's plant, would be delivered to us at Booth Yard. They would run through the [fol. 851] industrial section and deliver it to us (R. 3975). If another car of cotton were brought in by the International, Great Northern, delivered to Warehouse 7 or 8, opposite Weatherford Plant, the same service would be performed. In the inbound movement to Sprunt's Plant, or the Ship Channel Compress, I could not say wh-ther those cars may be placed without classifying them as to the tracks they go on. In connection with the handling through Congress Street Yard of the International Great Northern cars to the Percival yard, I wish to correct my statement that they move direct from the Percival Yard. They handle it in Congress Street Yard. They move without re-classification to the ship channel or Booth Yard (R. 3976). I got that information from Mr. Booth just now.

Mr. Booth: I did not say that.

The Witness: I understood that Mr. Brown testified to that effect.

Mr. Booth: I told Mr. Drake I did not think there was any movement direct from Percival Yard to Booth Yard. I did not say that they were classified at the Congress Street Yard (R. 3977). It would move through Congress Street Yards even if classification did take place in Percival and South yards.

WITNESS E. A. O'DONNELL

I am Superintendent of the Terminals, Southern Pacific, Houston, Texas. My testimony will be with reference to the handling at the platform (R. 3978). The necessity for handling from the mixed platform is to consolidate small lots of cotton in order to handle them to the Compress. I made a study for the month of November, 1925 of the cost of handling at the mixed platform. During that month we handled at the mixed platform at Houston 42,384 bales of cotton at an expense of $1,487.15, or 3.5¢ per bale. That involved only the handling over mixed platform. It includes only the labor and clerical expense, insofar as it relates to the actual work on the mixed platform. The labor charged in the month for that traffic was $1,225.40. The clerical hire was $261.75 on the platform, a total of $1,487.15 [fol. 852] (R. 3979). There is other clerical expense at other places; all of the records are maintained at the agent's office, and I made no attempt to extract that expense from the agent's rules. There is an average detension of one day per car, and that would be $1.00 per car, and reduced to a per bale cost would be 2.2¢ per bale, making a total cost of 5.7¢ per bale. I have not included in this study the capital investment and maintenance of the mixed platform, the capital investment and maintenance of the track serving the mixed platform, and the capital investment and maintenance in tools and appliances used in the work there (R. 3980), and records and stationery, fire protection, insurance, police protection, lights, telephone, ice, and supervision. If those items were included, the cost would be somewhat increased. The service of getting a car of cotton to the mixed platform is three times as great as handling the car direct to a compress from the classification yard. Taking two cars, one going direct to

the facility and another to the mixed platform and later to a facility, there would be three times as much switching involved in handling the car to the Compress via the mixed platform. The cost would be practically the same in getting the car to the mixed platform and the other car to the industry (R. 3981). We have a duplication of the costs in returning to the classification yard, and another duplication of it going from the classification again to the Compress. We have the additional cost of handling at the mixed platform plus the cost of switching the car back from the platform after we have consolidated to the classification yard, and from the classification yard to the industry. I believe the International & Great Northern, and probably the Belt also handle cotton to the mixed platform. I imagine that their operations in a general way are about the same as ours (R. 3982).

Cross-examination:

A car of cotton that had cotton in it for the Houston Compress Company, for the Weld-Neville, Alexander, Sprunt, and McFadden, all in one car, would be sent to the [fol. 853] mixed platform, unloaded there, sorted out, and all the cotton for an individual facility loaded in one car. Ordinarily we would have a carload at the mixed platform going to these respective facilities; in the busiest part of the season, we have a number of cars going to each one. In the dull season, we might not have a complete carload. The average for the year is not much under the peak movement. The average is 38 bales per car for the whole year, and it was 45 bales per car in November (R. 3983). We do not go to the ship channel. We would interchange with the Port Terminal Railroad Association, or the International Great Northern. I do not know whether any part of our costs to the mixed platform is paid by the shipper in addition to the freight rate (R. 3984). Taking a car originating at Dallas, consigned on through Bill of Lading to shipside and moving direct from Dallas to the ship's berth, the cost of moving such a car to ship's berth would be considerably less than the cost of moving a car from Dallas to the mixed platform and there sorting it out and taking it down to one of the facilities at Houston. All mixed car-

loads of cotton go to the mixed platform regardless of whether they are for export or otherwise (R. 8985). I am not considering the matter of per diem at all; I am considering only straight switching. It would make no difference so far as switching cost is concerned whether it went for export or where it went. Some of the cotton going to the mixed platform, flat cotton, but the major portion is compressed. I could not estimate the proportionate amount; but the fact that the average bales per car amounts to 38 at the end of the year would indicate that there is a pretty heavy percentage of compressed cotton (R. 3986). The cotton coming from the nearby points would come in flat unless [fol. 854] it passed a compress. It would have to move to the mixed platform if it came in in mixed lots. We have cotton at the mixed platform that goes to shipside from there; I could not say what the proportion is. It do not know whether it is on through bill of lading or not (R. 3987).

Witness C. C. P. Rausch

I am assistant Freight Traffic Manager of the Missouri Pacific Railroad with headquaters at St. Louis. I have been connected with the Company for over 30 years, all of my experience being in the traffic department. I represent the lines of our system north of New Orleans, north of Lake Charles, Louisiana, and north of Texarkana, which is the Missouri, Pacific Railroad proper.

It is our understanding specifically that there is only involved in this proceeding the matter of how the rates to the ports shall be adjusted whether one rate or more than one rate, what modification is necessary to bring this about, the interior situation and what modification in 11965 is necessary to comply with the Commission's final wishes, suggestions or orders. The rates on cotton in one form or another from Arkansas and Louisiana points to New Orleans and related points have been before the Commission on eight or nine different occasions within the past eight or nine years, or substantially once a year (R. 3989). Throughout these vicissitudes we have faithfully attempted to carry out the Commission's orders, except as we are

now presented with what seems to be a non-workable plan, and therefore a modification (R. 3990). As to the plan of the rates to the ports, our thought is that there might consistently be a uniform difference, so far as practicable, because uniformity is highly desirable, and at the present time this is 5¢ per 100 pounds export over depot delivery at [fol. 855] all ports, South Atlantic as well as Gulf ports (R. 3991). On page 13 of Docket 11965 in discussing the relationship of rates from Arkansas and Memphis, the Commission criticized us for carrying a single rate local, domestic and export to New Orleans and indicates that the *curs* is to make the export 5 cents over the domestic rate. They said "There is no justification for the identity of the domestic and export cotton rates to New Orleans." This 5 cents per 100 lbs. additional charge is now included in the total rate and is covered additionally in W. P. Emerson's Tariff 4-N, I. C. C. 105, naming all demurrage, storage, warehouse, and handling charges at New Orleans between cars, storage, and shipside, and in I. & S. 1293, 61 I. C. C. 379, the Commission found that generally the handling charges were below the actual costs to the carriers of performing the service. This thought of the uniform 5 cents difference is very largely predicated on our individual situation, from Arkansas producing territory, including our Mississippi River cities, Memphis and Helena, to New Orleans, and sub-ports, and because we understand the present arrangement on the foregoing basis, it is generally [fol. 856] satisfactory to the (R. 3992) Arkansas people, including Memphis as well as New Orleans. At least, we know of no views to the contrary. It fits in from points immediately West of the Mississippi River with the rate adjustment from points immediately East of the Mississippi River, and we compete most actively for this competitive traffic, having particularly in mind Memphis and Helena to New Orleans.

Considering our heavy investment in terminals at Memphis, Helena and New Orleans, we should not be deprived of handling all the cotton traffic there is, and which revenues add just so much to the total. The free cotton at Memphis runs between 140,000 and 150,000 bales per year, and at Helena about 30,000 bales per year. Any other arrange-

ment, considering the Commission's expression on page 167 of the report in 100 I. C. C. 159, that the rates be so readjusted as to preserve existing revenues would be unsatisfactory from every point of view.

We would understand that the level of the rates is not in issue in these proceedings, at least not any general readjustment or disturbance at this time, insofar as we are concerned, and as near as we are able to gather from conferences and expressions which the shippers and receivers on our line — they are of the same mind. My Exhibit A-194 shows the cotton traffic on the Missouri Pacific Railroad Company is important; it shows the cotton traffic on the Missouri Pacific Railroad Company for the calendar year 1921 to 1925, the number of tons, percentage of total, revenue and percentage of total.

In order to show some bearing on the fluctuation of this traffic there is indicated on the exhibit the cotton production in bales, first in Arkansas, second in the United States, for the same years, taken from the authoritative sources indicated thereon.

Arkansas is shown because it is typical and there is practically little production in Missouri, it being generally to the southeastern part of the state. While the Oklahoma production is considerable at the same time the Missouri [fol. 857] Pacific Railroad has little mileage in that state, it all being confined to the Northeastern portion and so far as Louisiana is concerned there is not a very large production, at least, not as large by any means as Arkansas. The Missouri Pacific statistics show number of tons; whereas the Department of Commerce statistics show the figures in bales. On the basis of 500 *tons* per bale it would convert the number of tons account the Missouri Pacific substantially as follows: for 1921, 1,480,000 bales. For 1925, 1,616,000 bales. For account of Arkansas all cotton ginned in 1925 was 1,593,029 bales, and for the United States as a whole—16,103,586 bales. With reference to the Commission's letter of January 27, 1926, requesting we supply certain information—we immediately replied to the Commission that we would look into the matter and in due course we started investigation with the following results: Nos. 1 and 2, Number of bales of cotton handled through compress last three years. I understand the compresses

have compiled this information per Exhibit A-48, and Mr. J. K. Moore's Exhibit A-136, and A-137, A-138 A-139 and A-140. No. 3. The rate for the service of pressing. On our line in Arkansas, Oklahoma and Louisiana is 18 cents per 100 pounds, the same as authorized by tariff publication. No. 4—The method used in arriving at weights. Generally inbound shipments are handled on estimated weights of 500 or 535 pounds. Outbound shipments, including transit cotton, and concentrated cotton, final settlements are made on shippers' bill of lading or compress outturn weight which is the actual weight and generally is in excess of the foregoing inbound estimated weight. No. 5. Investigation by carriers as to cost of compression. I cannot find we have made any. No. 6. Actual cost per bale incurred by compressors. I understood the compress people have indicated this in Exhibit A-48. No. 7. Names of persons, firsm or corporations connected with compresses. Have no specific information. No. 8. Schedule of tariff charges of compress. I understand the compresses have supplied this information in J. K. Moore's Exhibit No. A-49. On August 12th, 1925, Agent Leland of the Southwestern Freight Bureau, petitioned the Commission for modification of order in I. C. C. 11965, 77 I. C. C. 388. This [fol. 858] modification of order was requested so as to permit the readjustment of the rates then in effect to comply with the order and meet the conditions laid down by the Commission in I C. C. Docket 14940, 100 I. C. C. 159, pointing out that the Commission found in Docket 14940 that the rates on cotton to Houston and Galveston for export should be made higher than the domestic rates by an amount equal to the wharfage. In bringing this revision about the Commission's findings were not to be construed as authorizing the carriers to increase their present revenues, rather the rates, should be so readjusted as to preserve existing revenues and finally the Commission suggested no change in the rates through ports other than the Texas ports. That we understood practically all the cotton moving from Arkansas and Louisiana to the Texas ports is export. Therefore in order to preserve the carriers' revenue it appeared that the order should be complied with by increasing the depot rate to a basis of 2 cents less than the rate to shipside delivery. However under the Com-

mission's order in I. C. C. 11965, 85 I. C. C. 388, a relationship between the rates from Arkansas points to Texas ports versus New Orleans on cotton for both depot rate and ship-side delivery was prescribed. The rates to the Texas ports for depot delivery, cannot therefore, be changed under the outstanding order in 11965 without making corresponding changes in the rate to New Orleans depot delivery. My Exhibit A-195 is a photostatic reproduction of a part of my line, and shows all of the Arkansas lines on which I have circled certain points which are representatice of the Cotton Belt, and on which some comments will be made in further exhibits offered. In Docket 11965, 77 I. C. C. 381, the Commission issued an order prescribing a relationship between the rates on cotton compressed in transit at carrier's expense from points in Arkansas to Galveston, Houston, Texas City versus New Orleans. On page 400 of the report the Commission state that the rates on cotton from points in Arkansas to Galveston should bear a reasonable relationship to the rates from the same point of origin to New Orleans; that this may be accomplished by making the rates to Galveston on basis of differentials over or under the rate to New Orleans; that where the [fol. 859] difference to Galveston is more or less than to New Orleans from the same point, a differential over or under the contemporaneous rate to New Orleans should apply as maximum to Galveston according as the distance to Galveston is greater or less than to New Orleans, viz:

Distance	Differential
Not over 25 miles	None
26 miles and not over 50	2 cents
51 miles and not over 75	3 cents
76 miles and not over 100	4 cents
101 miles and over	5 cents

On page 401 of the report they state that this basis of rates from Arkansas shall apply on cotton compressed in transit; that in computing distances from Arkansas points, the shortest possible route, embracing as a maximum the lines or parts of lines of not more than 3 carriers via existing connections and interchanges of carload traffic should be used, and lines under common ownership shall be considered as single lines; that the rates determined on this basis

should apply also to Houston and Texas City as maximum reasonable rate. My exhibit A-196 shows how we were to the best of our ability able to work out the foregoing. The exhibit shows the rates from representative points on the Missouri Pacific in Arkansas to Galveston versus New Orleans, together with the mileage and routes. For example, the most northerly point in Arkansas selected as representative is Knobel, distance to Galveston 651 miles, distance to New Orleans 495 miles, or Galveston 156 miles in excess of that to New Orleans. The differential prescribed by the Commission and within 101 miles, with the addition of the words " and over," which differential is indicated as 5 cents and the rates have been so adjusted. The New Orleans domestic rate is 87 cents, export 92 cents, Galveston 5 cents higher or 92 cents and 97 cents respec- [fol. 860] tively. From Little Rock, Arkansas, in the center of the state, the distance to Galveston is 506 miles, and to New Orleans 439 miles, Galveston 67 miles in excess of New Orleans. The differential table fixed by the Commission calls for a difference of 3 cents, Galveston over New Orleans, and this is actually reflected in the rate, and the rate to New Orleans, domestic 87 cents, export 92 cents and Galveston domestic 90 cents, export 95 cents. As a further example; Hope, Arkansas in the southwestern portion of the state, the distance to Galveston 392 miles and to New Orleans 380 miles, or Galveston 12 miles greater than to New Orleans. According to the Commission's differential table this calls for no difference in the rate and as a matter of fact, the rates are identically the same to both New Orleans and Galveston, 87 cents domestic and 92 cents export. From Eudora, Arkansas, a point in the extreme Southeastern part of the state, the distance to Galveston is 418 miles and to New Orleans 300 miles, difference Galveston in excess of New Orleans 118 miles. According to the Commission's order this difference to Galveston should be 5 cents in excess of New Orleans, and the rates are so adjusted. New Orleans domestic 76.5, export 81.5 cents, Galveston 81.5 cents and 86.5 cents respectively. My Exhibit A-197 shows the rates on cotton, carriers' privilege, domestic and export to Galveston versus New Orleans, from Memphis and typical intermediate points and from Helena and typical intermediate points in Arkansas and Louisi-

ana. For 4 months' period October to December, both inclusive 1925, from Memphis, Tenn. for export there was 1,093 bales of cotton from Missouri Pacific Origins forwarded to New Orleans—Domestic 391 bales—total 1,484 bales. From Helena, export, 5,691 bales, domestic 1,080 bales—total 6,771 bales. From points intermediate to Memphis, and Helena, in Arkansas, 6,003 export, Domestic, 5,988, total 14,491 bales. In Louisiana, export 1,493, domestic 6,948 bales total 62,441 bales, or a total at intermediate Arkansas and Louisiana points of export 6,996 [fol. 861] bales, domestic 66,936 bales total 74,932 bales. for the same period to New Orleans from other Arkansas points the movement was only as follows: export 24,667 bales, domestic 15,931 bales, total 40,958 bales; and from other Louisiana points, export none, domestic 281, total 281 bales, with the total from other Arkansas and Louisiana points, than those intermediate to Memphis and Helena, export 24,667 bales, domestic 16,212 bales, total 41,239 bales, showing that the Memphis traffic is of considerable importance and this is much more so with reference to Helena traffic and likewise the intermediate territory involved is of great magnitude, relatively speaking, so that we feel that due regard should be had in any equalization of these rates or in increase or reductions in these rates from the intermediate Arkansas and Louisiana points and from Memphis and Helena particularly account of our large financial interest, facilities, etc., at Memphis, at Helena, and at New Orleans. For many years the rates on cotton for example from Memphis, Tenn., to New Orleans, Louisiana, were on a very low basis, in fact everything considered they were subnormal and such rates violated the long and short haul clause of the Fourth Section of the Act to Regulate Commerce. This latter feature was gone into in Commission's Fourth Section order 7542 in the Mississippi Valley, the readjustment of the rates were necessary under which the carriers proposed some increases. For example from Memphis to New Orleans on cotton, carriers privilege the 59 cent rate was proposed at 90 cents and contemporaneously to this it was necessary to revise the rates from Little Rock and other Arkansas points, for example—the rate from Little Rock to New Orleans was 90.5 and the carriers proposed a closer relationship with Memphis of $1.015 per 100

pounds. This readjustment of rates also extended to the east and the rates were all suspended and gone into very thoroughly by the Commission in I. & S. 1431, decided June 28th, 1922, 69, I. C. C. 318. Though the Commission did [fol. 862] not allow the full increases as proposed by the carriers, they indicated that the Memphis-New Orleans Depot delivery rate should be 5 cents less than that proposed, or 85 cents and set the figure from Little Rock at 96.5 cents. The 10 per cent reduction of July 1, 1922, made these figures respectively from Memphis to New Orleans 76.5 and from Little Rock 87 cents. The New Orleans export rates were made 5 cents higher than the foregoing, or from Memphis 81.5 cents and from Little Rock 92 cents per 100 pounds. With the foregoing rates fixed Helena on the Mississippi River was changed with relation to Memphis, and in fact all Arkansas points were simultaneously checked out to correspond to the changes from the river crossings acocrdingly. The Commission has already dealt with this matter and fixed a direct relationship, Mississippi River Crossings, Memphis and South, versus Arkansas to New Orleans. If the Commission does not see fit to adopt the suggestions of the carriers, as to modification of docket 11965, then we offer the following suggestions: First, order readjustment of the rates from Memphis and Helena to New Orleans via all lines east and west of the Mississippi River, that is, if it is to be a one rate plan, or Second: Give the Missouri Pacific Railroad necessary Fourth section relief so that the present adjustment Memphis and Helena to New Orleans will continue undisturbed via the west side lines contemporaneously with what the Commission finds should be done to accomplish the desired end west of the Mississippi River, that is again if it is to be a one rate plan all around.

Cross-examination:

If the Fourth Section relief be not granted, we are here asking that the Commission modify the equalization. We do not want to destroy the equalization which the Com-

mission found was proper between the Texas ports and New Orleans in Docket 11,965. Under our first plan, there would [fol. 863] be absolutely no change in the export rate from Arkansas to Texas ports versus New Orleans, and where they are equalized now they would be equalized in the future. There is not much cotton which the Galveston merchants would buy at a 3 cent disadvantage in competing with the New Orleans merchant who could buy there under the local rate. I think some of the figures in the record show something like 30,000 bales, which is a very small amount as compared with four million or five million bales (R. 4007). I do not know the amount of cotton for the season just past that has moved from Arkansas and Mississippi to the Texas ports. I have not followed the movement. My Exhibits do not include the movement of cotton via the International, Great Northern and the Gulf Coast lines. They are a part of what is designated as the Missouri, Pacific Lines; but I specifically refer here to the Missouri Pacific Railroad in Exhibit A-194. So far as my line is concerned, where the service is not materially different today, we have no preference as between hauling our cotton to the Texas ports or to New Orleans. As a general proposition, we have Fourth Section relief on other commodities from Helena, Memphis to New Orleans via our Road through Alexandria, Louisiana (R. 4009). Should Fourth Section relief be granted to us on cotton from Memphis and Helena from New Orleans, permitting us to meet the rates operated by the East Side Line, and if the export rate from Eastern Arkansas is reduced to a basis lower than Memphis, it seems to me that there would be more or less difficulty in putting in a one-rate plan from Arkansas to New Orleans, because the Commission has gone into the matter of rates generally on practically every class and commodity in the Mississippi Valley, East of the River versus West, and in innumerable cases has practically said that the territory West of the Mississippi River is higher rated territory. There is a lower level of rates in the Mississippi Valley. It will be a very peculiar thing to have

a lower rate from Arkansas than from Memphis (R. 4010). We are not concerned with the carriers East of the River, if they happen to have a lower rate, but we have to have a [fol. 864] consistent rate adjustment. The rate from Memphis via barge line to New Orleans is about 11½¢ per 100 pounds lower than the rate all-rail. We have no movement of free cotton from Memphis to New Orleans. The Memphis business we handle would be Pacific Coast, Eastern Seaboard, Massachusetts Cities, and the Canadian Points, North Carolina, South Carolina, and the Mississippi Valley (R. 4011). We take the Memphis traffic through St. Louis, or through Cairo. I do not think we would take it through New Orleans. I think we had a very small movement from Memphis through New Orleans. I think I did find a small movement through New Orleans to Southeastern points, very small, but it was from Arkansas. We operate through joint rate on cotton from Arkansas to the Southeast and to the New England Mills via the all-rail route. I think those rates are lower than the available rates through New Orleans to the same points from Arkansas. Generally they are considerably lower, but there is a fixed relationship in the rate from Arkansas to the Southeastern points to Carolina. At one time I presume they were full combinations (R. 4012) on Memphis. I do not know of a fixed relationship between the through rates established on cotton from points in Arkansas to the points in the Southwest applied via Memphis as contrasted with the available rates via New Orleans. There is practically true of Louisiana too. There is a fixed relation from those several states, including Southeast and Eastern Oklahoma, to any other Canadian and Eastern point and all of the Southeast. There is always a relation in the rate from every point in Arkansas to Memphis versus St. Louis; from Louisiana to Memphis versus St. Louis. There is a fixed relationship in the rates from every point, Little Rock and Alexandria being typical to Boston. If you change the rate from Little Rock to St. Louis and readjust it 5 cents, Memphis wants the same change, New Orleans wants the same change, and [fol. 865] Alexandria and Monroe want the same change to New Orleans affecting this movement; wants that same change to St. Louis and all Southeastern points, wants it put down also (R. 4013). We operated a one-rate plan

[fol. 866] from New Orleans when there was a two-rate plan from New Orleans, and the Commission criticised us and said we had to put in the two-rate plan. If we increase our domestic rate on cotton from Arkansas to New Orleans 3¢ per 100 pounds, in order to get a one-rate plan, we would have to get the Interstate Commerce Commission to make the same increase to Memphis. We have to meet the Arkansas rate. The rate is 76½ cents from intermediate territory. There is practically more cotton goes to New Orleans from the Mississippi River section than from all the balance of Arkansas put together. We blanketed the 76½¢ rate south of Memphis. I do not know what the local consumption of cotton in New Orleans amounts to annually. We could not very well make the rate on cotton from that section of Arkansas 86½¢ and then when it comes to the export rate, make it 5 cents more. We could increase our local rates on cotton moving to New Orleans 3 cents per 100 pounds without disturbing anybody else's domestic rates, if the Interstate Commerce Commission so ordered, but not otherwise because we would immediately get in jeopardy with everything else and the export rate. If we did increase the domestic rate from Arkansas to New Orleans, that would increase the spread New Orleans over Memphis to the Southeast. It would increase the spread as against the rates to St. Louis (R. 4015). I do not consider the fact that we may have today a 15¢ spread over Memphis any reason why a spread should go the 18¢. I do not see why we should arbitrarily increase the spread in any of our rates to St. Louis, Memphis, New Orleans, or even to Houston or Galveston, and the only reason we have made these suggestions is because it seems the easiest way out of the dilemma and would cause the least disturbance. So far as the export situation via all the ports, there absolutely would not be any disturbance. I do not know anything about the [fol. 867] situation at the Texas ports, but it seems to me that if there is any peculiar situation that needs peculiar treatment, it ought to receive that treatment. It would be almost impossible to try to adjust the Memphis rates unless the Illinois Central would increase their rates, and they would hardly increase their New Orleans rate without increasing them over to the Southeast and so on. They could change the Memphis rate without changing the rate to the

entire Memphis group in the Mississippi Valley, I can not see why the Illinois Central could not increase the rates we will say from Memphis to New Orleans, (R. 4016) plus the 2 cents, or 3 cents, whatever it may be, and change it all the way around. That would require a change from all other points in the Memphis group. We have a great many troubles other than that involved here, in Houston and Galveston versus New Orleans. We have all of this Mississippi River situation to contend with and are trying to iron it out with our shippers. We simply put it up to the Commission because there is no better authority than the Commission. They have gone into these things. When the Commission fixed the 5 cent relation between the Texas ports and New Orleans on export traffic, it was a natural sequence that the domestic rate carried the same relation. We have a substantial movement upon both local and export rates to New Orleans from points in Arkansas (R. 4018). The way we operate now at New Orleans, there is no transit privilege, and transit privileges are more or less complicated and expensive. I do not see why things should be more complicated than it is. I do not question the authority of Mr. Turner and Mr. Bennett here to speak for the Arkansas shippers (R. 4019).

WITNESS J. A. LYNCH

I am General Freight Agent of the Texas and Pacific [fol. 868] Railway Company with headquarters at Dallas, Texas.

(Mr. Reed: Mr. Lynch's qualifications are admitted.)

Exhibit A-198 is a one-page statement showing the movement of cotton through concentration points involving indirect or back-haul service at points on the Texas & Pacific Railway during the season beginning August 1, 1925. Exhibit A-199 is a four-page statement of the rates on cotton with carriers' cost of compression from representative points in Louisiana, Arkansas, Oklahoma and Texas to New Orleans, Louisiana; also to Houston and Galveston, Texas, both domestic and shipside for export. A-200 is a one-page statement showing the rates on cotton with carriers'

cost of compression from representative points in Louisiana, Texas and Oklahoma to New Orleans, Vicksburg, [fol. 869] Memphis and St. Louis, as applicable on domestic traffic. This statement shows the rates as in effect in September, 1917 and at the present time. It is to indicate the relative adjustment and in many instances the relationship in the domestic rates as between the Mississippi River crossing points names; also as to the points of origin. The weight on which the carriers assessed freight charges have been used by the Texas & Pacific in making settlement for the compress charges. The testimony I offer relates to rates on cotton from points in the various states involved to New Orleans, Louisiana. The rate situation at New Orleans is decid-ly different from the situation at the Texas ports. The rates to New Orleans have been before the Interstate Commerce Commission in so many cases, and apparently it is unnecessary to give full outline of the situation. The rates from Texas to New Orleans were before the Commission in the year of 1898 in the complaint of the Dallas Freight Bureau recorded in 8, I. C. C. 33. This complaint related to the domestic rate as applicable from Dallas to New Orleans of 75 cents, and at that time it was shown that the rate to New Orleans was based on a differential over the rates to Galveston. The 75 cent rate being 10 cents above the corresponding rate from Texas common points Territory to Galveston of 65 cents. It was also found by the Interstate Commerce Commission that the Texas Commission having reduced the rate to Galveston to 56 cents resulted in the rate to New Orleans being reduced to 66 cents. When the rate to Galveston was reduced to 51 cents, the rate to New Orleans was reduced to 61 cents, and again in 1917 when the carriers operating to Texas ports decided to increase the export rate to the Texas ports, by adding what was said to be the approximate cost of handling the cotton from the railroad depot or premises to the docks at Galveston, of 3 cents per 100 [fol. 870] pounds the rates to New Orleans were also increased not only on export traffic, but also on domestic traffic. This increase to New Orleans was published in Agent Leland's I. C. C. 1175, effective September 18, 1917, and as there was a relationship in the rates to New Orleans

proper with the rates to Memphis, St. Louis and Vicksburg —there was a corresponding increase to the latter points. A portion of the increase to Memphis in connection with movement to southeast and points beyond was published effective on September 18, 1917 and on October 18th, 1917 the rates to Memphis, St. Louis and Vicksburg were made to fully reflect the increase to New Orleans and Galveston of 3 cents. In the complaint of the Dallas Freight Bureau, the Commission did not disturb the rate of 75 cents, as it found that it was related to the domestic rate to Galveston which latter rate was under the control of the Texas Commission and due to its applying to the common point territory, the Commission apparently felt that that relationship would take care of the situation in a proper manner. There is, and has been a relationship in the rates to New Orleans and points in Arkansas as compared with Memphis, Tenn., Helena, Arkansas and other points in Tennessee and Mississippi via east side routes. This however has been stated by the witness for the Missouri Pacific Railroad. It is the position of the Texas & Pacific Railway, that while this Commission might properly if it so desired, establish a one rate plan to Texas ports, insofar as the rates to New Orleans on both domestic and export traffic but more particularly domestic traffic are concerned, there is a different situation, and we desire to urge upon the Commission the necessity of refraining from prescribing a hard and fast rule that would result in the establishment of rates to New Orleans under a method which does not take into consideration the many conflicting angles as prevelant at that point. That is the relationship of the domestic rate to New Orleans, not only from points in Texas but also from points in Arkansas and Louisiana with the rates in effect to Memphis, Tenn., Vicksburg, Mississippi, St. Louis, Missouri, as well as to the Texas ports. The rate to Memphis [fol. 871] from points in Louisiana as well as to New Orleans from such points were established following the Commission's decision in the case of the Memphis Freight Bureau, Docket 6390, 39 I. C. C. 224, and were gone into by the Commission in connection with I. & S. Docket 955, 46, I. C. C. 451, as well as various other cases, such as the complaint of W. D. Haas & Company, Docket 9946, 52 I. C. C. 527 I. & C. Docket 1431, 69 I. C. C. 318; I. & S. 1641, 74

I. C. C. 580: I. C. C. Docket 11765, 77, I. C. C. 388, and I. & S., 1858, 85 I. C. C. 5. There is a further situation at Shreveport, Louisiana which is known as one of the key points for rates on cotton from Louisiana points to gulf ports and other destinations. The rate from Shreveport to New Orleans as was found by the Commission in I. & S. 955, was held down by the rates in effect to the gulf ports from Texarkana and other Texas points. Exhibit A-199 is a four page statement showing the rates in effect, domestic and shipside to the ports of New Orleans, Houston and Galveston from representative points in Louisiana, Arkansas, Oklahoma and Texas, clearly indicating the fact, that insofar as the City of New Orleans is concerned there is a situation which differs materially from that in effect to the Texas ports. Insofar as the rates from Louisiana points to New Orleans proper are concerned, primarily these rates are of intrastate character, and subject to the jurisdiction of the Louisiana Public Service Commission. The rates from Shreveport, Monroe, Ruston and other points on the Vicksburg-Shreveport and Pacific as well as points on the Louisiana and Arkansas Railroad are applicable due to the location of the said lines, via interstate routes through Vicksburg and Natchez, Mississippi, and in view of the recent order of the Interstate Commerce Commission which ressulted in the Vicksburg-Shreveport and Pacific Railway being taken over by the Illinois Central System those lines will find it necessary to continue to apply via the interstate routes the same rates as are applicable via the intra-state routes to New [fol. 872] Orleans proper. It has been found that this situation has complicated to some extent the question of publishing rates between interior points in Louisiana and New Orleans. While there is a difference of 5 cents as between the depot delivery or domestic rate and shipside or export rates from the Louisiana and Arkansas points to New Orleans as well as to the Texas ports, when you get into Oklahoma the situation differs to the extent that although there is a difference of 5 cents to the Texas ports as between the domestic and shipside rate to New Orleans there is no relationship as between the domestic and shipside export rate from the fact that the domestic rate from Oklahoma to New Orleans for export which are generally speaking,

to the domestic rate to the Texas ports, but are related to the rates in effect to other Mississippi rover crossings, such as Vicksburg, Memphis and St. Louis. Insofar as the export rates from Oklahoma to New Orleans are concerned, they are made with relation to the export rates to the Texas ports. This situation is different materially, therefore, at New Orleans and at the Texas ports, and results in rates to New Orleans for export which are, generally speaking, on a lower basis than the domestic rates, or in no event materially higher than the domestic rate. In this situation as I understand it, there is no complaint as between the interior concentrators and the port concentrators, in that neither has any advantage over the other, and accordingly the Commission should not issue any orders that would disturb, first, the relationship in the domestic rates as between New Orleans and the other Mississippi River crossings, or second, that would disturb the relationship in the export rates as between New Orleans and the Texas ports, the carriers being permitted to maintain the same rates to New Orleans as to the Texas ports, on export or shipside traffic, where they find same proper. From the Texas points of origin there is a relationship in the domestic rates to New Orleans with the rates to Galveston and other Texas ports. There is further relationship in the rates on export traffic with the export rate to Texas ports from points in Texas on the Texas & Pacific Railway, the Weatherford [fol. 873] Mineral Wells & Northwestern Railway and certain other lines. As to the other points in Texas generally, the domestic rates to New Orleans are also applicable on export traffic and are in excess of both the domestic and export rate to the Texas ports. Exhibit A-200 shows the domestic rates as in effect in 1917 and at the present time from points in Louisiana from points in Texas and from points in Oklahoma to the Mississippi River Crossing indicating the relationship then in effect—that is, in 1917—was approximately the same relationship as exists today. My only thought in this case is to urge upon the Commission the necessity of considering insofar as New Orleans is concerned from many angles that the carriers find existing at that port, to not issue any hard and fast rules that will result in placing the port of New Orleans and the lines serving New Orleans out of the running. In connec-

tion with Exhibit A-198, it was put in, in connection with the showing contained in Exhibit A-13, which indicates in a practical manner how the back haul service as performed by the Texas & Pacific Railway actually takes place and not to indicate from tariff reproduction, some extraordinary situation which, as a practical matter would hardly ever take place.

Cross-examination:

Exhibit A-198 indicates that if the traffic moved in direct line of transit, the flat cotton, there would be an increase in the flat cotton miles. The rates from Dallas, Texas to New Orleans were originally based 10 cents over Galveston, and Vicksburg, Memphis, and St. Louis, were all placed on the same basis. The Vicksburg is the same rate as the Memphis and St. Louis rate. There is a relationship between the Vicksburg rates and the New Orleans rates, in that, the Vicksburg rate is higher than the New Orleans rate, from Dallas. You will have to take it as group situation rather than as an individual situation, as may be indicated on Exhibit A-200 (R. 4031). The rate to New Orleans and to Vicksburg applies generally from the entire common point territory. Therefore, as an entire group, it would no doubt show a different situation. Both rates apply from common point territory. Of course, there is this difference; that to New Orleans, where the Houston combination [fol. 874] made less, there was a lower rate than the common point rate. The Vicksburg rate as I have stated, is on the same level as the Memphis rate, and Memphis, St. Louis, and Vicksburg had that relationship, so that when the increase was made to Galveston in 1917, the same increase was made to New Orleans and immediately thereafter the same increase in cents per 100 pounds, was made to Vicksburg, Menphis and St. Louis. I do not see any particular need at all for the rate to Vicksburg, because I have never heard of traffic moving to Vicksburg proper. There are proportional rates, which are different from these rates I have shown, to Vicksburg applicable to southeastern traffic (R. 4032). As to the reason for a relationship between the rates from Texas to St. Louis on cotton versus the rates from Texas to New Orleans, it seems to be the general basis for practically all rates I know of to have

a relationship as between principal gateways, or consuming point, and when one rate goes up there is a demand that the other rate go up, and when it goes down there is a demand that the others go down. I would make the same answer with reference to Memphis. It is to maintain the parity that has existed for many years. In so far as Louisiana is concerned, we have had a definite order from the Commission, or a definite opinion from the Commission, that required the maintenance of a relationship between the rate as between Louisiana points of origin and Memphis as compared to New Orleans (R. 4033). I refer to domestic rates. There are through rates from many points in Louisiana to the Southeast. I do not know that there are through rates to all points. There is a basis for making a combination rate which is less than the actual combination of intermediates. This relationship was found proper by the Commission as to Louisiana and is based on their decision. I do not know about the Arkansas points. I have made no [fol. 875] investigation in regard to any competitive feature between Memphis and St. Louis on the one hand, and New Orleans on the other, that requires the fixing of a definite relationship between the domestic rate from points in Louisiana. But Memphis has always been a gateway, and a good deal of cotton has moved to Memphis. Apparently [fol. 876] the Memphis merchants were desirous of getting some cotton from Louisiana points when they brought complaint covered by Docket (R. 4034) 6390. I understand it is the intention, not only of the Louisiana Line, but of *the* both the Southeastern Lines and the Southwestern Line, to establish through rates on cotton to the South-east; I do not know whether necessarily via the crossing at New Orleans, but via all crossings, so far as practicable, to get away from the basis of making the combination and resulting in set rate. I could not say how far those negotiations have progressed. If one rate on cotton is established, from Louisiana to New Orleans in this case, and the domestic rates to New Orleans are increased, Texas & Pacific, no doubt, could maintain through rates to the Southeastern points without refer*e*rence to the volume of the rate to New Orleans, but there are a great many complications and other lines to consider, and I do not know just what the rate would be. (R. 4035) We could carry the present domestic

rate from points on our line to New Orleans as a proportional rate on traffic destined to the Southeast pending publication of a through joint rate. I do not know just how much trouble it would cause. We do not absorb the unloading on cotton consigned to New Orleans on a domestic bill of lading for industries to which cotton is shipped for delivery. Nor do we to cotton warehouses. In Louisiana all intrastate cotton rates have the same 12¢ penalty on flat movement as the interstate rate. I believe they are identical with the interstate rates (R. 4037). It is our intention to maintain the relationship Memphis versus New Orleans and all rates on a parity via all gateways to the extent of our ability, as controlled by the Fourth Section and the relief which the Commission will grant us. I refer to through traffic.

WITNESS W. H. STAKELUM

I am Assistant General Freight Agent of the Southern Pacific Lines in Louisiana, which position I have held for the last six years (R. 4028).

[fol. 877] Mr. Fulbright: The qualifications of Mr. Stakelum are admitted.

There is some difference in the New Orleans situation as compared with the Texas ports, and insofar as Oklahoma and the equalization territory from North Texas are concerned the rates fixed by the Commission on export traffic to the Texas ports will be the export rates to New Orleans. I mean that if the rate from North Texas to Texas ports is made 83 cents, this will make the total cost to shipside 85 cents, added to the 2 cents wharfage, the reduction of ½ cents per 100 pounds, or 2½ cents per bale, so that the new rate to New Orleans will be 85 cents, resulting in a reduction of 2½ cents per bale. If the Texas port rate is made 82.5 cents the New Orleans rate will be 84.5, a reduction of 5 cents per bale. If the new Texas rate is fixed at 83.5 cents there will be no change in the rate to New Orleans. The same is also true of Oklahoma, so that any reduction in the present export rate from Oklahoma to Texas ports will result in the same reduction to New

Orleans. Exhibit A-201 shows the movement of cotton to New Orleans and the disposition of same insofar as the carriers are concerned. Movement is from Arkansas, Louisiana, Missouri, Oklahoma and Texas reaching New Orleans, via the Gulf Coast Lines, Louisiana Railway & Navigation Company, Morgan's Louisiana & Texas Railway and S. S. Company (Southern Pacific Lines), Missouri Pacific, Texas & Pacific, and Illinois Central for season August 1st, 1924 to July 31st, 1925. The first page shows the export and through coastwise movement. The domestic movement to New Orleans is shown on upper part of page two, and the lower part of page two and page three shows the cotton concentrated after arrival. In connection with the domestic movement the word "deducted" and a line of figures following same will be noted. This represents the cotton concentrated at New Orleans so that the net total figures shown represent the cotton that consignees disposed of themselves. This totals 492,164 bales. If the Texas export rate is reduced 1.2 cents per 100 pounds, [fol. 878] or 2.5 per bale, the reduction to New Orleans on the export movement of 9,765 bales of through cotton plus 1,491 bales concentrated at the port—total 11,256 bales would be $281.40. On coastwise movement of 4,598 bales through cotton, plus 4,337 concentrated at the ports—total 9,835 bales the reduction would be $223.37—total of the two $504.77. My Exhibit A-202 is a compilation reducing the per car charges to a per bale basis covering the switching charges applicable at New Orleans on cotton from warehouses to different docks at New Orleans on a 65 bale car the switching charge ranges from 27.4 per bale to 10.77 cents per bale and on a 40 foot bale car the range is from 44.5 to 17.5 cents per bale. The average is 20.44 cents for a 65 bale car and 32.22 cents for a 40 bale car. After cars are switched there are additional charges of 5 cents per bale unloading, 3.75 per bale tollage—total, 8.75 cents per bale in order to effect shipside delivery. Exhibit A-203, page 1 shows the effect of continuing present export rates from Arkansas and advancing the domestic rates to the export basis; also cost of making shipside delivery from city front and back of city front warehouse, based on per car loading of 65 bales, 50 bales and 40 bales respectively. The only city front warehouse considered here in this exhibit

is the New Orleans Public Cotton Warehouses, all the other warehouses considered being located back of the city front. The spread in the domestic and export rates today from Arkansas is 25 cents per bale, so an increase in the revenue of $33,654.00 is shown based on the 134,616 bales of domestic cotton shown on page 2 of Exhibit A-201. The cost of making delivery of this number of bales to ship-side is also shown. New Orleans lines figures show that 50.7 per cent of the domestic cotton for this period was stored in city front warehouses and 49.3 per cent stored in back of city front warehouses. Applying these percentages to the total number of bales of 134,616 resulted in the segregation as shown. The Public Cotton Warehouse, the only city front warehouse considered takes the $7.00 switching charge so the $7.00 rate was used on the 50.3 per cent of the movement and the average switching charge [fol. 879] of $13.29 on the 49.7 per cent. This shows it will cost the carriers $32,696.64 on a 65 bale car $38,773.97 on a 50 bale car, and $44,636.24 on a 40 bale car as compared with a revenue increase of $33,654.00. Page two covers Louisiana cotton compiled on the same basis which shows cost of making delivery as $53,358.22 on a 65 bale car, $63,606.23 on a 50 bale car and $74,696.52 on a 40 bale car as compared with the revenue gain of $54,924.00. If the one rate plan is decided upon it is absolutely essential that the Louisiana State rates be dealt with simultaneously, either under the co-operative plan with the Louisiana Public Service Commission, or in the event of failure of the co-operative plan, by an order of the Interstate Commerce Commission, requiring the carriers to increase the Louisiana intrastate rate. If the Louisiana state rates are not increased, necessarily the situation will remain as it is now, and a one rate plan cannot be made effective at New Orleans. If the export rates on Louisiana cotton to New Orleans are reduced and there are no corresponding increases in the intrastate rates, the Louisiana carriers' revenues will not be preserved, which would be contrary to the expressed intention of the Commission if the one rate plan is decided upon. Page No. 3 of the exhibit is a recapitulation of pages one and two. This shows that on a total movement of 354,312 bales from Arkansas and Louisiana the carriers' gross gain in revenue would be $88,578.00,

while the cost of making shipside delivery of 65 bales cars would be $86,054.86; 50 bale cars $102,380.20; and 40 bale cars $119,332.76. This gives net gain of $2,523.14 on the 65 bale cars, but a loss of $13,702.20 on the 50 bale cars and a loss of $30,754.76 on the 40 bale cars. The calculations of this exhibit are based on no reduction in the export rate and a 5 cent increase in the domestic rates from Arkansas and Louisiana. If the exports rates are reduced .5 cents per 100 pounds or 2.5 cents per bale, and the domestic rates increased 4.5 cents per 100 pounds, or 22.5 cents [fol. 880] per bale, the carriers' increase in revenue of $88,578.00 will be reduced $8,857.80 or to $79,320.20. To this will be added the decrease in revenue on 50,778 bales of export shown on exhibit A-201 of $1,311.97. In other words for each .5 cents per 100 pounds reduction in rate, the revenue is reduced $10,169.77. Due to the relationship existing in the rates from these two states to Houston, Galveston and New Orleans, any reduction in the present export rates to the Texas ports will likewise force a similar reduction in the rates to New Orleans. If a domestic rate from Oklahoma was put on the export basis the increase would not average one cent per 100 pounds, but applying 1 cent per 100 pounds, or 5 cents per bale, increase against the domestic movement of 41,291 bales as shown in Exhibit A-201, the carriers' gain would be $2,064.55. Against this gain would be the cost of making shipside delivery and on a 65 bale car, computed on basis of Exhibit No. A-202, this cost would be $10,028.42. The situation at New Orleans if the one rate plan is established is bound to result in a loss in revenue. Traffic from the southwest to New Orleans moves on two classes of rates, namely export and domestic. The domestic rates from Louisiana and Arkansas are uniformly 5 cents per 100 pounds under the export. From Northeast Texas the export rate is 85.5 while the domestic rate is 96 cents. From the balance to common point territory both the domestic and export rates are 96 cents. From Oklahoma the domestic rates are an average of about 1 cent under the export rate. Domestic traffic is split about 50-50 between movements from back of the city front presses and city front presses at New Orleans. Where the movement is from back of city front presses the charges for getting the cotton to the steamship dock, based

on a 65 bale car, would be as follows: Switching charge of 4.1 per 100 pounds unloading charge after arrival at steamship dock of one cent per 100 pounds and tollage charge of .75 per 100 pounds, or a total of these three items of 5.85 cents per 100 pounds. On city front warehouses the unloading and tollage remain the same but the switch-
[fol. 881] ing cost is 2.15 cents per 100 pounds, or a total of 3.90 cents per 100 pounds. The average of the two costs is 4.88 cents per 100 pounds. The best that could result under the one rate plan to New Orleans would be an even break, and that would only apply to Arkansas and Louisiana cotton were the domestic rate 5 cents under the export rate. On Oklahoma cotton where the present domestic rates are only about 1 cent per 100 pounds under the export rate the loss would be 4.85 cents per 100 pounds from back of city front warehouses and 2.90 cents per 100 pounds from city front warehouses if the one rate established is the export rate. Even if the domestic rates are increased to the export basis it would result in a loss to the New Orleans carriers.

Cross-examination:

Shipments shown on page 1 of Exhibit No. A-201, moving under through bills of lading from points in Texas and points in Louisiana apparently to New England mills via New Orleans and the American Line would not be affected as to the rate by this case, unless the rate via the Texas Ports were advanced. If the rates via the Texas Ports were advanced, the rates via New Orleans would be advanced. Cotton concentrated at New Orleans and reshipped to the New England mills on which concentration was taken is shown on page 3 of Exhibit A-201; that is coastwise, a total of 6,474 bales, 2,137 from Louisiana and 4,337 from Texas (R. 4047). That all went coastwise after it was concentrated at New Orleans. (Exhibit A-202 shows a cost of switching cotton from the City Front Compresses to the shipside of 10.77 cents per bale, based upon a loading of 65 bales to the car. Page 1 of Exhibit A-203 shows 68,350 bales at 19.52 cents per bale. The foot note shows that to the 10.77 cents per bale must be added the 5¢ unloading at shipside, plus the tollage of 3.75 cents, which makes a total of 8.75. The 8.75 added to

the 10.77 gives the other figure. We do not absorb the unloading today out of our domestic rates to New Orleans on cotton. At New Orleans if we switch cotton to a warehouse, the cotton is unloaded by the consignee at his own expense. [fol. 882] Q. Neither do you absorb any wharfage? That is natural, because you have not any wharfage and the total of the two approximates almost 2 cents per hundred pounds?

A. The total approximates 1.75 cents, representing the terminal charges at New Orleans which we do not absorb out of the domestic rates (R. 4048). I do not know whether you could relate that to the 2 cent wharfage at the Texas ports which the Railroads do not absorb out of their domestic rate, because one is an unloading charge and the other is a tollage, and there is some difference between tollage and wharfage. We think that the through export rates at New Orleans and the Texas ports should be kept on a parity (R. 4049). Where the line haul rates are the same to all three ports, I see no objection to adding 2 cents per 100 pounds to those line haul rates to arrive at a shipside rate including wharfage, if that figure will keep them on a parity. In regard to the switching charges shown on Exhibit A-202, the plant of the Anderson, Clayton warehouse on the Illinois Central would pay the $17.80. The $15.30 is from one or two of the other warehouses located on the Illinois Central. I do not know what the loading of the New Orleans Compress Company under this switching movement is, but I base the compilation on 65 bales per car, which is a very good average, I think (R. 4050). I do not know how the average loading runs where the cotton is moving from high density compresses to shipside in cars; but there is an incentive there to load higher than there would be if the carriers absorbed the switching charges. When they pay it themselves they will load it heavier. I am not testifying that 65 bales *is* the actual average, because I do not know what it is. From the New Orleans Public Cotton Warehouse, they have switch tracks, and if the one rate plan were ordered in at New Orleans, we to-[fol. 883] day could switch the cotton for (R. 4051) them and place it at the city front. We have a provision in our transit tariff at New Orleans today that permits an absorp-

tion of 15¢ of the drayage cost, but if the one rate plan were put in consideration would have to be given to that situation if the 15¢ did not cover it, and I do not think it does cover it. I had our freight auditor check all of his concentration claims, and he could not find a single claim [fol. 884] on cotton from the Dallas district in our record, so I do not know just how the lines handle the refund (R. 4052). Our tariff does permit the refund down to 85½¢; we have transit at New Orleans. My Exhibit No. A-204 shows the detention of through export cotton at New Orleans in cars in the depots for three months during 1924-25. It contains also a statement as to the cotton compressed and concentrated at interior points. That was not put in for certain Louisiana lines. This is the information called for by the Commission at the last hearing. I am putting it in for the Gulf Coast Lines and the Louisiana Railway & Navigation Co. The Texas & Pacific have given only their detention on export cotton at New Orleans, because they included (R. 4053) their compression information in the Texas exhibit. I understand that the detention is not car detention but is detention of the shipments that should have been unloaded by the carriers and the cars released. Our exhibit shows cars and warehouse detention separately. Our exhibit is the second to the last page. On the first page of Exhibit A-204, I cannot answer for the Gulf Coast Line as to whether the day's detention is the average day's detention per shipment. I am only filing statement; on domestic shipments, it is the first 7 A. M. after Southern Pacific on page 8, the detention shown is car detention. The time is started at the first 7 A. M. after notice of arrival. That is through export cotton. That would be the basis used to find out whether they were going to be charged demurrage (R. 4055). I should correct my statement; on domestic shipments, it is the first 7 A. M. after arrival. The export shipment would start at the next 7 A. M. after arrival, but in the case of domestic shipment, if you send your notice out today, your car having arrived today, the free time would start the next day. If you delayed a day in sending out the notice, the time would start the next day. On export shipments we have to send out the notice or have a standing order which takes the place

of the notice. There has been some kind of an agreement [fol. 885] with the steamship line to pay demurrage; I do not know whether it is in effect now or not (R. 4056). There is no demurrage assessed on a through bill of lading after it accrues. Under the agreement, if there is any, I presume the Steamship Company would pay it, but I really do not know just what the practice is. I never heard of them collecting demurrage on through bill of lading cotton at New Orleans (R. 4057).

Mr. Cummins: In connection with the exhibit showing the detail of flat cotton movement by railroads into Houston and Galveston, I desire to state that the grand total of the flat movement delivered by the Katy for the 1923-24 season was 62,089 bales, and for the 1924-25 season was 63,661 bales.

WITNESS R. C. FULBRIGHT

My residence is Houston, Texas. Mr. Reed has supplied me with an exhibit which shows some 25 instances where compresses had less than 25 per cent of concentrated cotton and showing the information compiled in similar manner to that in Exhibit A-110. It is introduced as Exhibit A-205. Several times in the course of these proceedings I have requested the carriers to make some study or present some study as to the saving in transportation cost affected by compression in transit. Exhibit A-206 undertakes to supply so far as I have been able to get the information, the data which the carriers have thus far failed to supply and shows, on the first sheet thereof, the gross ton miles, and that should be thousands. The figure expressed is in thousands, and the total freight expense which is the direct expense and all expense allocated to freight based in the same way as shown in Mr. Morissey's exhibit, and from that there is computed the cost per 1,000 gross ton miles. This is based on the gross ton miles behind the tender. It is exclusive of the locomotive and tender. These lines are [fol. 886] the principal cotton carrying lines that serve the Texas ports, and also two of the principal lines serving the port of New Orleans from Texas. They are the lines named there—Texas & Pacific, Missouri-Kansas-Texas of

Texas, International-Great Northern, Trinity & Brazos Valley, Gulf, Colorado & Santa Fe, Gulf Coast Lines and Southern Pacific Lines in Texas and Louisiana. To that I have added the Cotton Belt. That was the only one I was able to get at the time, which is the Cotton Belt of Texas and does not directly serve any port. I would like to have the entire system of the St. Louis-Southwestern and St. Louis-Southwestern of Texas, for the reason that the St. Louis-Southwestern has a much higher traffic density and would show a much lower cost per gross ton mile because of that fact, but not having those figures they were not included in the exhibit. The actual average is taken at the bottom in the same manner as the figure is computed for each particular line. Then I took the average of those two figures, $3.58 and $3.50 which gave me an average of $3.54 over the two year period. That average is simply a weighted average of the two years, 1924 and 1925—and on the second sheet comparisons are worked out exactly upon the same formula that was used by Mr. Morrissey with this exception. In Mr. Morrissey's exhibit he used only one day per diem for the return of the excess empty cars from Galveston. In making this exhibit we use the full amount per diem that was used on the journey to the port. For example, in the first comparison Mr. Morrissey used three days per diem on the surplus cars to Galveston and one day per diem on the return. We have used the full per diem both ways. The reason for that was this: Mr. Morrissey testified he figured one day per diem because that would be the per diem to bring the cars back to Summerville, where they would send them to East Texas for lumber loading. Now, we did not know whether that condition existed with other lines or not so we figured the full per diem on the [fol. 887] return surplus cars basing it on 75 per cent of the cars that were made empty which was the same basis used by him. That was figured out first for the same distance Mr. Morrissey used, following his computation otherwise. Then it was figured for a distance of 360 miles by taking a compress point 40 miles from the point of origin. That is simply an arbitrary figure. It would be the same if you took a station that distance. The expense of moving flat cars back is in your gross ton miles, exactly as Mr. Morissey figured it, and as he figured it in your gross ton

mile figure. The charge for moving the empty cars back to the port, is charged against the freight in moving it to the port. I am following Mr. Morissey's testimony and Mr. Morissey's theories on it. I have had no experience in the auditor's department as a railroad accountant. The same computation is made for varying distances, 300 miles with a compress point—50 miles from the point of origin, 210 miles with a compress point 30 miles from the point of origin. 175 miles with a compress 35 miles from the point of origin. Page 2 is the example using the Morissey formula with the exception I have stated. I have used 3 days per diem instead of one. The first example shows the saving of 76 cents per bale and 100 miles from the point of origin and 411 miles rom Galveston, for having the cotton compressed in transit at the expense of the carriers. In other words, it is his position that he saves 76 cents and pays out 90 cents to do it. Example No. 2 shows a 360 mile haul with a compress 320 miles from Galveston, and in that case saving 61 cents. Example No. 3, using 300 miles with a compress point 250 miles from the destination, the saving is shown to be 50 cents per bale. Example No. 4, 210 miles, with a compress 180 miles from destination in which case he has used two days per diem for the returning to the compress point, and in that case it figured out 35 cents per bale, and in the last case, Example No. 5, 175 miles from [fol. 888] point of destination and a compress point 140 miles from destination using two days per diem for returning it, figures out 29 cents. I am figuring on 20 cars in and 8 cars out. It is based on the theory it would take 8 cars to take it out and 20 cars to bring it in. The last part of the exhibit takes the same operation, using the average cost per 1000 gross ton miles for the Gulf, Colorado & Santa Fe. The selected expense account for 1000 gross ton miles include the following expenses: Locomotive repairs, engine house expenses, enginemen, trainmen, fuel, other locomotive supplies and train supplies and expenses. In other words it includes the expense of operating the railroad freight train, plus the repairs and upkeep of the locomotive, but not of the cars. The expense of operation as shown on the first page has nothing to do with the exhibit. That is included in that course. The selected expense accounts are simply the train operating expenses. The Texas & Pacific,

4,000,000,000 plus gross ton miles operated at an expense of $18,000,000, as is shown on the first sheet. That includes the selected expenses, plus everything else that can be assigned to freight. General office expenses, the salary of the president, and everything else. For 1924 the following was selected expense account per 1000 gross ton miles, exclusive of locomotive for the Gulf, Colorado & Santa Fe: 72.7. The Gulf Coast Lines which is the only one lower than the Santa Fe, 62.9. International Great Northern, $1,073. Kansas City Southern 91.2. Missouri-Kansas Texas System, that includes both the Texas and out of Texas lines—83.7. Missouri Pacific Railroad which is the Missouri Pacific proper—$1,036; St. Louis-San Francisco, which includes the Texas lines, the Ft. Worth & Rio Grande and the St. Louis-San Francisco and Texas, $1,219. The Cotton Belt System, St. Louis-Southwestern System, including the Texas lines—92.4. The Southern Pacific in Texas and Louisiana, $1,135. Texas & Pacific, $1,094. Trinity & Brazos Valley, $1,233*3*. Vicksburg-Shreveport & Pacific, $1,191. Ft. Worth & Denver City, $1,073; Chicago, Rock Island & [fol. 889] Pacific including the Chicago, Rock Island & Gulf, $1,088. I did not have the Orient; I would not consider it a representative line. I did not have the Kansas, Oklahoma and Gulf; I do not have the Texas, Midland, but I can get them all out of this statement. I have taken the principal cotton carrying lines, and I have given the principal cotton carrying lines. The Missouri, Pacific, Missouri, Kansas & Texas, and Southern Pacific are the principal cotton carrying lines of the Southwest. They have a much heavier volume of cotton movement than the other lines. There are a number of roads in Texas that have a small cotton traffic. (R. 4070.) I did not overlook them. They are small factors in the cotton movement, as well as in the cotton compress locations. If carried into a weighted average, they would hardly affect the situation. I do not know what the weighted average is, but I know the relative traffic in a general way of those lines as contrasted with the lines I have given. I did not take the Ft. Smith and Western. Its selected expense account per 1000 gross ton miles, or its gross operating account per 1000 gross ton miles, will be greater, generally speaking. I have included some

of the shall lines, like the Trinity and Brazos Valley. I am quite sure that the Ft. Worth and Denver City does include the Wichita Valley. I would not be absolutely certain. (R. 4071.) Under Example 1, I show a 500 mile haul with the compression point 100 miles from the point of origin, where the carrier saves 76¢ a bale but spends 90¢ to do it. Under Example 6, I used the same distances and show a saving of 61¢. The difference is that the first is the average for all of the lines on the exhibit and the second is the Gulf, Colorado and Santa Fe Line. From Example 6 on I have used only the Gulf, Colorado & Santa Fe. I took various distances just to get a representative picture. The next distance is 360 miles and I used a compression point 40 miles from the point of origin, and then I take 300 miles with a compression point 50 miles from the point of origin, then 210 miles with a compression point 30 miles from the point [fol. 890] of origin and then 175 miles with a compression point 35 miles from the point of origin. I picked those distances arbitrarily. You can pick out any distance you want and it is simply a mathematical formula you apply. I use distances ranging from 30 to 50 miles. The first instance was Mr. Morrissey's exhibit. In most instances I do not think you will find the haul to the compress point will exceed those figures. The haul to the compress point affects the absence of saving to a small degree certainly, because you are hauling 20 cars instead of 8 until you get to the compress point. The longer the haul to the compress point, generally speaking, the higher the cost, but that does not affect your net saving always to the extent one would think, because you are using a greater proportion of the total haul. You will save more if you have the same total length of haul and were stopping closer to the point of origin for compression (R. 4073). The longer the haul beyond the compress point the greater the saving. Taking from Oklahoma and Arkansas to the ports generally, there certainly is a substantial saving in the Railroad's costs in the hauls, but when you get down to the short hauls the question arises as to whether there is any saving or not. I assisted in making a computation in a case three years ago in which we found a weighted average haul, based on the short line mileages as found in Fonda's tariff, to Galveston was 317.6 miles for the season 1921-22, and that included the short distance stuff as well

as the long distance stuff. I include the per diem of returning cars from Galveston and do not include the total cost of moving the cars back because you figure your (R. 4074) operation based on the total gross ton miles, including all empty equipment. You are charging against your revenue haul, the only haul you get any money out of, not only the cost of handling your revenue freight and cars containing it, but the cost of hauling all your empty cars as well. The [fol. 891] gross ton includes empty and loaded cars and everything and you charge it against revenue freight (R. 4075). Taking the total expenses shown on the first page of the Exhibits and dividing them by the gross ton miles of loaded cars only, I would have had a much higher figure. It would have been a little nearer the net ton miles, because it would have eliminated from the computation the hauling of the empty cars, but I have put in all the empty cars. You can figure the return movement on the empty car, using the same $3.54, and figure it out that you will not save the cost of compression on a 300 mile haul in my judgment. (R. 4076.) If you take the weight of the loaded car, including the weight of the commodity, and multiply it by the gross ton mileage mentioned, you would get the total expenses. I have taken both the loaded and the empty weight of the car, and that gives the gross ton miles. (R. 4077.) If you are going to use your gross ton miles alone on the empty movement, you should eliminate the per diem, which is an expense of operation and includes the expense of maintenance and use of that car and is in all the other expenses. You can get some long hauls to the port of Houston from the Texas Panhandle; the hauls from the Texas Panhandle to the Port of Houston are pretty close to the longest possible haul from Oklahoma, Arkansas, or Texas. (R. 4078). Some of the points on the Panhandle division of the Santa Fe, in Oklahoma, give a very long haul to Houston. I do not know how long it would be. I do not know where any cotton is produced in Oklahoma, using Fonda's short line mileage circular, more than 500 miles from Houston, Texas.

One witness for the carriers testified to the enormous amount of claims paid on cotton, $1,000,000.00 a year, he said. In 1924 the American Railway Association, carry-[fol. 892] ing reports for more than 95% of the mileage,

including all of the cotton-carrying lines in the United States, showed a total amount paid out for loss and damage, delay and destruction of cotton of $125,880.

[fol. 893] For 1923, $226,789. Based on the revenue shown by Witness Wettling, testifying (R. 4079) for the railroads in I. C. C. Docket 17,000, the Western Lines, 59 Lines, which includes all of the principal cotton carrying lines, handled 3,457,683 tons of cotton for an average haul of 265 miles, and the amounts paid out in claims per 100 pounds would be less than 25 hundredths of a cent. I do not have the gross revenue on cotton (R. 4080).

WITNESS S. E. WALKER

My place of residence is Houston, Texas. I have been engaged in the operation of compresses for seven years, since 1919. I have been employed as press room foreman with the McGregor Compress & Warehouse Company at McGregor, Texas, 1919 and 1920. I was press room foreman for the National Compress Company at Taylor, Texas, 1920 and 1921. I was Superintendent of the Sinton Compress Co., Sinton, Texas, 1921 and 1922. I was with the Turning Basin Compress Company for the season of 1922-23 and part of 1924, and with the Houston Compress from that time to the present date. I am in a general way familiar with the method of operation of the interior transit compresses (R. 4081).

Cotton is unloaded from a box car onto the compress platform. In case it is transit cotton it goes right to a central location which is the press room. If it is concentrated cotton, it is weighed, sampled and blocked in the warehouse. In the case of concentrated cotton, in addition to sampling and weighing it, the weight ticket has to be made out and filed in the office and forwarded to the owner of the cotton. The cotton has to be blocked back in the warehouse for storage. The weight sheet serves as a record of the receipt of the cotton. Whatever number of bales the mark you are unloading calls for is recorded on the weight sheet and the compress tax number applied to each bale *the* a ticket issued to the owner of the cotton. An individual receipt for each bale is issued to the owner. At

[fol. 894] the beginning of the season it is generally blocked back into two rows in the warehouse, with an aisle on each side. That condition exists until the cotton begins to move. I should say that the (R. 4082) cotton is blocked that way until your entire plant is full. After that it is necessary to go back and fill up these aisles, and finally during the peak of the season, they are all full. As a general rule there is only one trucking aisle down the center of the shed. If room is not necessary to take care of your receipts, it is even necessary to top it or go to the ground. You have to do something to relieve the congestion. The amount of storing would depend on the amount of storage room and the amount of concentration that we have (R. 4083). During my three years in the interior, we were forced to top and go to the ground at Taylor all during one season. At Sinton, we did not top, but we were forced to go to the ground. That calls for an excess amount of labor in that it takes a greater number of men and is a slower operation. The cotton is ordered out of the warehouse by tag numbers. The press receives a shipping list. It may call for 50 bales or 100 bales; it does not make any difference. You have to dig it out, send a man out to spot it, either by a colored flag or something to distinguish the bale you want. After that is done, you have to send a crew in to dig it out. Sometimes it has to be blocked out; sometimes it has to be pulled out (R. 4084). It would only be pulled out in the case of four or five bales where it would be easier to do that than to cut an aisle down to it. When the plant is congested, it is necessary to move a good many bales to get cotton out of storage. If we were operating the compress solely for transit cotton, the actual operation would be the same, unless it was a plant of small capacity that used one big press screw for their operation. In that case it would not slow down the number os bales per hour or per day, or anything like that, but you would have to shut your press down part of the time to bring your cotton in from storage for compression, unload, and do the other work at the plant. It is generally the case, [fol. 895] based upon my experience in the interior, that cotton is ordered out during the time it is moving in large quantities for transit. The shipper of the cotton gives the press the tag lists of the bales he wants shipped and we

have to go into storage and get them and bring them into the press room, press them and load them. The practice of putting cotton on range, is followed in case a local buyer is selling cotton there to another local buyer or exporter or to anyone, he gives the press the tag list of the number of bales he wants put out. It sometimes happens you may get to that cotton (R. 4087) without having to move the other, but that is not very often the case. You have to go in and get it, bring it out on the platform, or any other place where you might have room to block it, where the buyer can get to it. He wants to see each side of the bale. Where you have to do that, the operation is almost the same as bringing it in for compression. Very often the cotton is rejected, and then we have to cut it out and put it back in storage and the seller will give you a list of bales to take the place of the ones the buyer rejected, and you have to go in and get those and bring them out. If cotton is very wet when it comes to the press, it has to be dried before it is conditioned. Sometimes you will find a bale that is damaged on one head, and may not call for much work. You will take off one band probably and pick it, and sometimes you will find a bale that is damaged on all sides. In that case, you have to take off all of the bands and pick off every bit of the damaged part and then press the bale, if it is a storage bale, so that you can store it back in the warehouse (R. 4088). By picking, I mean picking off all of the damaged part; every particle of cotton that is damaged has to come off of the bale. That is a very expensive operation. I think on an average, that the cost of it is about 35¢ per bale. I have no way of knowing how much of that would occur in any given season during the years that have been referred to here. I know about what did occur during the time I was there. We find more [fol. 896] reconditioning during a wet year than during a dry year, much more. Where the cotton is marked on both sides in the press room, the most popular method is picking the bale up with a hoist, and putting it on a truck and having a man standing behind the press and a marker right before him, with stencils and brush and everything he needs, and this bale is dumped off of the truck to this man who catches it, and the marker marks it on the (R. 4089) down side first, and then it is thrown back on the truck

and the marker marks it on the top side. It takes two men. The two men can keep up with the operation of a press at any speed. The cotton is trucked to the car when it is to be topped. Some presses have a topping machine, which I have always found very satisfactory and a labor-saving device. Your machine is generally set in the car when the floor is loaded, just leaving space enough in the doorway to set your machine. That space is filled after the car is topped. The trucker comes right from the press and dumps his bale on the topping machine. One dumps on the machine and one operates it. The man operating the machine pulls the bale up to the level of the top of the cotton, and we have three and sometimes four men on top to take it and roll it back. In the absence of a topping machine, the ordinary size of a topping crew would be four men and a trucker. That does not include the men rolling it back (R. 4090). In my experience, the presses I have been connected with, have not kept a full crew of men the year around. If a press has any building to do, such as repairing or putting in a new building or platform, they always give their men preference on that kind of work. My experience has been that when the cotton stops moving the labor is all cut off. It may be they will keep two or three old negroes around that they have had for years. The labor shortage occurs generally during the fall of the year at the peak of the movement of the cotton. I do not know of any reason why a compress operator cannot load out cotton that has been concentrated as heavily in the car as he can cotton which is transit cotton, provided he has enough cotton going to the destination (R. 4091). Cotton is generally weighed as it is received out of the car from the railroads, before being blocked back or even before [fol. 897] it is sampled. So far as I know, that weighing is performed for the owner of the cotton. I have never known it to be performed for anybody else. I have never heard of any cotton being weighed in transit, except *with* the owner wanted it to be weighed. The compress might weigh the transit cotton for their own convenience at their own expense. If the owner requested it, it would be charged to him. My Exhibit A-207 is designed to show the number of operatives that would be required to keep a press in full operation performing both transit and concentra-

tion services to the ordinary capacity of one standard compress. It is based upon my own experience in operating and observing the operation of compresses (R. 4092). It is true and correct to the best of my knowledge and belief. The figures at the top of this exhibit showing the total bales compressed and stored were taken from Mr. Oppenheimer's exhibit A-101. The percentage was worked out on a bale basis following the formula in the exhibit presented by Mr. Brillhart. The operatives under the heading A, B, C, D, and E, have been charged entirely to compression (R. 4093). The words "Bale Basis" should be erased, because the total is charged to compression according to the Exhibit. Those operatives perform their services in the press room and on the press. The operatives under subdivision F, called off-bearers are the men who load the cotton from the press to the (R. 4094) cars, top it, mark it, and carry it right from the press to the cars. I have a topping crew under G. I have allocated that on a bale basis, because that service is just as much for the shipper as it is for the railroads. If we did not have a press there we would be loading entirely for the shipper. For that reason, it is service for one just as much as the other. Off bearers under F do not have anything to do with the actual operation of the compress. We would have to get the cotton away if we were not doing any storing, and were doing only compression in transit. On the other hand, if you were taking your cotton out of the storeroom and loading it into the car, you would have to have the same number of men to do it. If I were figuring the cost of compression, I would not figure those off-bearers in the cost, but on a transit proposition, they would necessarily have to be [fol. 898] figured. This is a storage and a transit operation (R. 4096). Sub-division H, shows unloading at the time the car is received at the press. I have set forth the Crew there and allocated that on a bale basis. Part of it may be transit, and part of it is storage cotton. Your car may be mixed and it may be straight. It doesn't make any difference. You start at one end of the train and go right down through it. You are handling both transit and storage cotton when you unload it. I took the total number of bales for all states compression and the total number of bales for all states stored, on a basis of 61.25 against 38.75.

The next sub-division I, is the flag gang. I allocated them to storage because they are always engaged in that kind of work. That is the crew that brings the cotton into storage space after compression, blocks it back (R. 4097) and makes room, etc. The item of re-handling, under the next sub-division, is re-sampling, re-weighing, re-topping the cotton in the warehouse, going to ground, coming off of the grounds, taking cotton down from the top and such work as that. The re-handling crew should never have anything to do with any transit cotton at all. Any work that these men would do would be on storage cotton. Whether the compress company would keep eleven men to do the work of re-handling, depends upon the volume of cotton that they get at the press. They might not have anything like that many men. If the capacity of the plant was small, the allocation would be the same if they did not have anything but a press crew. If they stopped the press crew and had them do this work, it would have to be divided in this manner. All of this work would have to be divided in this manner whether they had sufficient men to do it, all at the same time or one item at a time (R. 4098). In plants of small capacity, it is usually the case that the re-handling is done either in whole or in part by operatives who may be engaged in the rest of the services about the compress, but that does not have anything to do with the way the labor is apportioned. If you did not have anything but a press crew, your storage would amount to more, because you would be paying a higher price per hour. The next item covers every kind of work that might come up, such as filling water barrels, repairing platforms, cleaning tracks and premises, picking damages, and all such work [fol. 899] as that. If you have a wet season, that item would be considerably larger than I have it here, I believe, in proportion to the number of bales handled. I have allocated that to storage, because we never use more than one sweeper in the press room, and I have (R. 4099)) already charged that to compression. Totalling these various operations and allocations, I found that 53.14% was allocated to compression, and 46.86% was allocated to storage. I have shown 94 men. If the volume of cotton was small all of this work would have to be done. The volume does not have anything to do with the work that has to be done

as I have laid it down here. Each operation is necessary. In that case you would use your press crew for pressing part of the time and for doing the other work part of the time, but the proportion would be the same (R. 4100). The proportion to the number of bales handled to the number of men you have would be the same. I have made an analysis of Exhibit #A-89, introduced by the Witness Brillhart, which shows diagrams of various size compress plants, for the purpose of determining from these diagrams what proportion of the area was utilized for compress room and compress purposes and what proportion was utilized for warehouse and for other purposes. That study is shown in Exhibit #A-206, which is true and correct according to the best of my knowledge and belief (R. 4101). The number of men I have set out on Exhibit A-207 would be necessary in a single press and concentration point, provided the volume of cotton was great enough, operating at capacity. They could handle 1,200 bales a day; I based the Exhibit on 1,000 bales; it is based on ten hours per day. It is also based upon the assumption that there would be a full operation of a plant the size that I have used. It often hapens that when a bale is turned out a part of the [fol. 900] band will stick out; the railroads, or the state law, require that band to be tucked back in. The spider killer does that. It is a compress proposition entirely (R. 4102). On Exhibit A-208, I took the measurement Mr. Brillhart gave during his cross examination, and took the entire area of the press room, boiler room and all of that part, and allocated that to compression. I next took the area of the railroad runs, and then I took the area of the office, and dray platform and added these together, and then I took 61.25% of that total, which is the percentage of compression, and then I added this percentage for compression to the entire area of the press room, and divided [fol. 901] into that the total area of the entire plant. That is how I arrived at that percentage (R. 4104). All of that part shown on Mr. Brillhart's Exhibit A-89 as the press room and machinery room, is allocated entirely to compress. The warehouse would be left entirely for the warehouse, and the railroad runs, office area and city loading platform I allocated on a per bale basis, using the same formula that I used in the preceding exhibit. In the last

column, I show 30% against Mr. Brillhart's 40%, which I got from his Exhibit A-91. In the case of the seven compartment plant, I took Mr. Brillhart's figures (R. 4106) from Exhibit A-91. He shows a plant of 535,000 square feet capacity. I allocated the railroad runs between both services, because transit cotton is unloaded over those runs the same as storage cotton and should be allocated on a per bale basis.

I have had experience in the handling of cotton for re-sampling and re-weighing. We had a good deal of that in my experience. It always happens after it is stored. It does happen that the samples are at times lost; it is generally carelessness on somebody's part. When a sample is lost, there is nothing to do but re-sample the cotton (R. 4108). When we re-sample and re-weigh cotton, we have to bring it out, re-sample it and re-weigh it over the scales just the same as in the first operation. After you have it all out for re-weighing, it must all be blocked in one pile, and you have to go back and make room for it to come out. The same operation is necessary for re-sampling. It has to come out where the sampler can get to it. That is, if it is a considerable number of bales. It sometimes happens that they can go in and cut a sample without having to drag it out. Services of that character I would charge to storage entirely.

Cross-examination:

I left McGregor because I thought I saw a better opportunity for advancement and could earn a little more. I worked for the National Compress and Warehouse Company at Taylor (R. 4110). I was press foreman there for one year. I left Taylor because I wanted to, the same rea-[fol. 902] son I left McGregor. I left Sinton because I wanted to, because I had a better offer in Houston. I am now working for the Houston Compress Company and have been for two years. As Assistant Superintendent of the Fifth Ward Plant. The Sinton Plant had a storage capacity of about 5,000 bales, I believe (R. 4111). I would say that the annual business they could store in a plant of that size is about 35,000 bales. If they handled that much they would have to double row it, and keep it blocked up all the time, and possibly go to the grounds. They

would have to break an aisle up and down the center for trucking. I think the average time a bale of cotton stayed in the warehouse at Sinton was about 15 to 20 days (R. 4112). The class of man that would do the picking would be an elderly man, not husky enough for trucking, not necessarily cheap labor, just an average. We would pay a man like that about $3.00 or $3.50 a day for 10 hours. The maximum would be about 35¢ an hour. I do not know just how long it would take a man like that to pick the scraps off of a bale of cotton (R. 4113). It might possibly take him an hour if the bale was damaged considerably. Trimming cotton and patching sample holes is a very fast operation. I should say one man could do that operation at the rate of 350 bales per day. By picking, I mean reconditioning (R. 4114). On a car of flat cotton coming into the compress, we generally need two men in the car to break down the cotton. If it is tiered, two men can do it. Two men would be all we would need in the car to load the truck. We would have ten or twelve truckers to truck it from the car to the press room. We would need one man to block it in the press room (R. 4115). He would probably not put his hand on each bale, but he would keep it straight. He would simply direct the location. There is a difference between directing the location and assembling. When the trucker comes from the car to the press room, we have a man there to tell them where to put it. The trucker actually slings the bales around. If he dumped his bale out of place, [fol. 903] the other man would go around and straighten it out. One man would do that (R. 4116). I would use 10 truckers at a place like Sinton, where there is an average haul. I would use three men and one boy for hooking the cotton on the tie press. One of the three would drag the bands over to the band bench. I would have two men there opening the cotton, and three men at the band bench (R. 4117). I would need two men to go from the tie press to the big press with the cotton; they are called feeders. They would operate a truck. The men at the tie press load the cotton on the truck for the feeders (R. 4118). The trucker puts the bale into the press himself. Then we need two lever men to operate the press. If you use four tiers you would need four band shovers. You could use three tiers. I have done that (R. 4119). You would need two sewers and one fire-

man. If using coal, I suppose you would need a fuel passer. I have never seen a coal operated press. You would need one man to operate the bale hoist, and one marker and I suppose one man could turn the bale. I always dumped it back of the press and marked it and dumped it on the truck. You would need one spider killer (R. 4120). You would need eight men to truck it from there to the car. One man will load the cotton on the floor and then he would have to help load it on top. We need three men on top. If you have no topping machine, which I have always used, the bale would have to be lifted from the floor up to the top (R. 4122), and it would take five men to lift the bale up there. Those men are not on the Exhibit; I used a machine. I do not find that the machine slows up the operation. We have to move the machine from one car to the other; that would not necessarily show up the progress in getting the cotton up. While the machine was being placed in the car, they may have to dump and end up the bales. They use a machine at Taylor and at Sinton; I believe they did not have one at McGregor (R. 4123). It takes one man to grind the machine. One may can place the bale in the car so that it can be loaded; so far as I know, they always did that with one man at McGregor [fol. 904] and Sinton and Taylor (R. 4124). I worked under Mr. Cook of the National Compress Company. I did not say that 56 men are necessary to operate a compress (R. 4125). Leaving out storage business, and taking into consideration only transit cotton, the 56 men I have described would be necessary to compress cotton. Those 56 men could handle 1,200 bales a day, based on a 10 hour day. There should not be any delay to the compress crew by reason of broken lots. You keep a solid stream of cotton going through all the time, and if you have your crew trained, they will not look for the lots nor the changes. I do not know whether the railroads permit loading out of broken lots or not. It is done. Loading out of a part of a bill of lading is done (R. 4126). I do not know whether the railroads permit it or not. I do not know whether the railroads require loading all the cotton for one destination in one car; that is not done either. It is done a good many times where they have the cotton already in the press room. They would not load cotton to Houston in a car that would

have cotton in it for Galveston, but they do load it for different compresses in Houston, where it goes to the mixed platform (R. 4127). They might load 7 or 8 different shipments in one car for the same town, but not for different towns. I cannot see how a compress in assembling those lots would delay its operations. At Taylor, Sinton and McGregor, we sometimes unloaded the cotton out of the car, sent it through the compress that day and into another car, but a good many times it would be part transit and part storage and we would move it into the press room and block it up and take it out later. Sometimes transit cotton would go right through the compress and out into another car (R. 4128). Sometimes it would stay there. If it was mixed, we would segregate it. It would take eight men to truck from the compress to the car and twelve men to truck from the warehouse to the platform, because the cotton coming out of storage has to be dug out. Sometimes the truckers would stand there while they were digging it out; they might be operating in a place where two trucks could not pass. The biggest part of the time they would be moving. If a topping crew were added to the eight men trucking from the press to the car, you would [fol. 905] have the same number of men, some of them loading in the car (R. 4131). The spotter does not do any actual work. He is in the door and designates the bale the crew is to take. Two men could dig the cotton out of storage and keep twelve men busy; they might call upon a trucker to help them, or they might call upon several truckers to help them block it out. I think the Sinton plant handled about 30,000 bales when I was there (R. 4132). I think about half of it was storage. They could handle 35,000 bales. We never had to go to the ground with transit cotton, because they can load it from the press room right on out, and it is easier than going to the ground. They could get equipment in a few days; I have never seen them wait for equipment. I have seen the carriers restrict the equipment that brought the cotton to the compress to be utilized by that division only, and I have seen them make allowances when the car could be used for other places.

Mr. Reed: Mr. Paul Walker of Oklahoma asked for a list of authorities in Moorehouse's Exhibit A-84. I made up an Exhibit showing a list of the authorities by page number

for the Exhibit A-84. Mr. Walker asked for it and you ask me to furnish it. It gives authority for some statistics and is offered as Exhibit A-84-Supplement.

WITNESS T. B. KEENAN

I live at Houston, Texas. I am connected with the Shippers' Compress Company of Houston, Texas, I run the uptown affairs for the company; my business is in the office. My Exhibit #A-209 is a statement based on the season of 1924-25 showing the cost of compression and other services performed by the shippers compress company. The statement is a copy of the audit of F. G. Maquelette & Company certified public accountants. I am familiar with my account, and I know that these are correct (R. 4145). Practically all the cotton that is compressed is concentrated. [fol. 906] In addition to compression, we store, warehouse cotton, and perform concentration services. The cost of the concentration service is shown under the heading "Other services." If a cotton shipper should offer ou company cotton for standard density compression, to l received by our press, compressed, and put back on the cars, we would make a charge for that service of 60¢. We perform very little compression for account of the railroad (R. 4146). I believe we had 60 bales last season. If the railroads are going to put 18¢ to a standard compression and put that in the tariff, we are going to get them to pay if we can. The tariff of the Shippers' Compress Company, shown in Exhibit #A-127, gives under a certain heading "Factors' cotton" a charge of 10¢ per bale for certain service. We do not make any money out of that 10¢. That is to get the cotton in (R. 4147). It is not consigned to us; it is consigned to the factor. We get our charge later on. We receive 10¢ on the service performed. The next time that cotton is touched, it is 15¢ to put it on range, sell to the buyers, get a compress charge, loading, marking, placing patches, sampling, any service that we might perform. Factors' cotton is very expensive to handle; it is practically all flat and it has to be tiered and dug out by numbers. It is sold and handled on flat terms. The charge of 10¢ will not pay the cost of the service we perform. The

other services would be cared for as shown under the "Other" heading on this Exhibit (R. 4148). The tariff on buyers' cotton would not apply to cotton that had been brought in as factors' cotton. If factors' cotton is compressed by us, the charge goes to the buyer; the factor does not pay any compression. The factor handles and keeps the cotton with us until it is sold. If cotton should come in to us compressed for account of a factor, the tariff would be used just as a flat bale (R. 4149). If it were shipped out, he or somebody would have to pay the 60¢, even though we did not compress it. If it came in high densitied to a factor, we receive a compressing charge for it. That cotton will change hands several times while it is in our possession, and that sometimes requires re-handling (R. 4150). The 60¢ charge shown on the tariff under the [fol. 907] heading "Buyers' Cotton" receiving or storing by marks, ranging two lay days, compressed, seven bands, 20 days free (R. 4150) storage, applies to buyers' cotton. The two lay days are given to him to close his cotton. If he wants it compressed with eight bands, for standard density, there would be a charge of 5¢ a bale for the extra band. We compress some cotton standard density with seven bands. The loading out would not be included in the 60¢ charge. If the cotton were to come in to be compressed to standard density and loaded out again without storing, the charge would be 60¢.

Cross-examination:

Exhibit #A-209 shows the number of bales compressed, and we store all of those bales; there might have been 30 or 40 bales of transit cotton. They come to us for storing, merchandising and compression but primarily for storing and merchandising. The unloading is charged to the compress. We compress practically all of it. We charge the unloading, incoming, and ranging to compression. It is my testimony that it costs more to break it out of store and load it than it does to unload it, range it, sample it, move it from there to the compress, compress it, and take it into the storage room and load it (R. 4154). It takes more labor on account of the 80,000 bales of flat cotton that is stored away, and has to be dug out by numbers. It would be sold, dug out two or three times, and put on range; we

do not charge all of that to compression. The first ranging is charged to compression, that is when the cotton is leaving the car to go to the compress, blocked away, and that is the compression end of it. We have about 14 or 16 men to break it out of store. The same gang trucks it from there to the car (R. 4155). We do not sample any cotton. If we re-handle it for them, we get an extra charge. They do their own sampling. We have a work report, shown on the pay roll every week, how much to charge for compress room to compression, for marking, for ranging, and for all the other services, pickerage, and the books are posted that way (R. 4157). We charge to the machinery [fol. 908] account that part of the building that houses the machinery and the boiler room (R. 4158). I am positive that building and machinery are not segregated. We have a wood structure, with some concrete, and the runways and buildings ought to be more than repairs to machinery. We do not allocate a part of the Engineer and Fireman to storage (R. 4159). They all go to compression. We have seven or eight clerks in the $15,000 item, all charged to other service. The cheapest man we have it $175.00 per month (R. 4160). On 1,000 bales to be compressed to high density, loaded back into the car with seven bands, the charge would be 60¢, and we would not charge that man for the unloading. I do not know what would become of the 1¢ unloading allowance that the railroad makes. We do not make a charge for unloading and never have. We would not put on an extra band without additional charge. We would mark it on both sides without charge. We vary from this tariff and make other charges in bidding for this business (R. 4163). I believe it would cost 12½¢ a bale to perform the service of receiving factors' cotton, for which we charge 10¢.

Redirect examination:

In the handling of cotton for factors, we have regular customers. They understand the method of operation of our tariffs. There is a labor account on our books for each service. There is one labor account for each service, on our books, namely, ranging, loading, picking, compression, sampling gang, marking gang. Our compress is in

operation substantially the entire year. We do not keep all the men; if we can not use a man, we cut him off (R. 4165). We have a heavier crew during certain seasons than at others. We have two compresses in that plant. During the busy season, if we have to operate two, we do, and when we close one down we cut off the crew. We give the men their choice of taking trucking or we let them go. The [fol. 909] daily capacity of one of the compresses is 4,000 bales a day. That is a double shift, running all night. We work a double shift, making 20 hours (R. 4166). We can put 900 bales to high density in 10 hours on one press; we can put 1,000 to standard density. Practically all of it goes to high density. Most of it is from standard to high denstiy. We do not perform both operations on the same bale of cotton; it would go direct from flat to high density (R. 4167). We charge 75¢ for that, and skip the [fol. 910] 60¢ charge. This .484 cost of compression includes all character of compression our press performs.

Recross-examination:

All of the cotton that we high density comes in for storage, and we charge 75¢ for that. In addition we charge for marking and unloading and loading and shipping. Although the cotton may change hands several times, we do not charge more than one compression (R. 4169).

WITNESS S. M. BLOK

I live at Houston, Texas, and am Cashier for the Exporters Compress. My Exhibit A-210 shows the total labor and other costs incurred by my plant in operation for the season 1924-25. It is true and correct. The total shown in the first column was taken from an Audit made by Ernst & Ernst, the total expenditures. We handled during the season 1924-25 (R. 4170) 170,015 bales. We shipped 166,309 bales, making a total of 336,324, or an average of 168,162 bales handled. That is the way we get at the figure at the bottom of the Exhibit called "Average Bales Handled." The first item is the total for labor during that season, and in arriving at the total cost per bale, we divided that amount by the average 168,162. In Item two,

I show the salaries of the Superintendent, Clerical help, and checkers. In order to arrive at the percent of bales compressed, and received and shipped, I have added the number of bales pressed, 161,843, to the average number of bales received and shipped, 168,162, giving me a total of 330,005 bales. I took the percentage of each of those, as shown at the bottom. The number of bales compressed would be 49.04% and the number of bales concentrated would be 50.96% (R. 4171). In order to determine what the charge should be for compression, I have taken Items in column 2 of .1513 under item 2, and got 49.04% of that and charged that to compression and the balance to concentration. The $6,000.00 item in item 2 has been charged entirely to compression. The same applied to fuel oil, [fol. 911] supplies, buckles, twine, rivets, etc. Also repairs to machinery and equipment, and then the balance of this Exhibit is split up under the percent 49.04 and 50.96 (R. 4172). The item of depreciation is split up on the same percentages, 49.04 and 50.96. If I had made actual segregation of depreciation as between compress and machinery and building, the item of .0255 would have been less. The investment in the building and machinery is so much less as compared with the balance of the plant (R. 4173). I used the following rates of depreciation: bricks, frame, and galvanized iron 2.5%. On the concrete construction, 1.5%. On the fence runs and bridges, 8%. On the pipe and fittings 6%. On the tools and machinery, and tanks, 4%. On the electric system, 7%. The fire apparatus and the office furniture and the auto trucks, 10%. The 10% also applies to general office furniture. The sprinkler system, 5%. We do not have any insurance on transit cotton. We do not get any transit cotton. The labor cost for the different operations is based entirely upon payroll. The Superintendent gets a record of all of the operations, and the number of men required on those operations from the clerks. That total amount equals the total amount of the weekly payroll. Then he has totaled up difference (R. 4174) operations under one head, and divides that by the number of men it took to do a certain amount of work during the week, and at the end of the year these average costs were put together and this is the result. I did not take the nearest cent in figuring that labor cost. Where it ended in 5½,

I made it six. If it was 5¼, I made it 5. The 10¢ charge on factors cotton is just a starting charge. It does not pay. For some reason or other, it has always been that way; I cannot tell you why (R. 4175). The only difference is that at most of the compresses they charge a nickel, but I thought we had better charge 10¢. Even that is not enough. I have been working in the general office of compress companies for about 12 or 15 years. I was with the merchants Compress Company about 10 years. They handle their cotton in the same way, making the small charge, when I was with them, of only 5¢. The 10 cents does not cover the cost. The man is not going to get his cotton on that 10¢ (R. 4176). We charge the 60¢ to the man that [fol. 912] buys the cotton. Most of the ranging cost would be charged to the factors (R. 4177). All charges up to the time the cotton is sold, including storage, if there was any, would come to the factor. From that time on they would go against the buyer. As a general rule, the cotton that comes in factors' cotton, goes out buyers' cotton. If a man had 1,000 bales of cotton, and brought it to us to be received, compressed to standard density, and put back in the car, we would charge 60¢ for that service. If he wanted more than 7 bands, we would probably charge him 5¢ a band (R. 4179).

Cross-examination:

We do not observe the tariff with reference to the marking; we give him the marking too. It is not necessary to mark it on both sides, unless he wants it. If he wanted it marked on both sides, we would do it. We would charge him 60 cents to unload the cotton, compress it, mark it and reload it (R. 4179). The provision in the tariff for shipping by rail, 10¢ per bale, does not apply on that particular cotton, which is to be only compressed and put back in the car. We have instances like that. I do not know when. We have had an instance like that in the last five years. I do not know who it was; it amounts to very little compared to our total business (R. 4180). I do not remember whether we had any like that last year. I did not say that Ernst and Ernst had or had not approved the method of allocation used in Exhibit #A-210. On Exhibit #A-210, I have allocatd to storage receiving from car

and loading into car; that is for concentration service. Receiving from the car includes the cost of unloading it from the car to a place on the yard. This particular operation does not include any of the cost of bringing it from the yard to the compress. This cotton is going to storage (R. 4181). This Item does not mean taking the bales from the yard to the compress. We have also charged the amount of 6½¢ for loading the cotton into the car from storage. If we charge to the compression all of the cost of unloading and all of the cost of loading, it would not make a material difference [fol. 913] in our figures, because the trucking from the compress would not add more than ½¢ (R. 4182). If we added to the cost of compression, the cost of unloading the car and the cost of loading it, the difference would not be more than 1½¢, because the unloading and trucking to compress is nearly the same as getting it from storage (R. 4183). The item of 5¢ for unloading and trucking to compress is the same as the item of 5¢ for receiving from car. It is charged in two places, because the first column is for the service of compressing, and the second is for the service of concentration. They are two different operations. Unloading, putting it on range, then trucking to compress room would cost 10¢. Our warehouse is principally a storage, concentration and compression business. We do not do any compression in transit. Not necessarily all of the bales coming in receive storage. We get ranging out of it, except the factors' cotton. We get storage, possibly after giving 30 days free time on it (R. 4186). On June 30th, 1925, our permanent assets were $364,953.49. We do not handle any transit cotton on high density. I do not remember if we did (R. 4187). In addition to the high density charge of 75¢, we have other charges to the shipper for marking, loading, and unloading. The same thing applies to the 60¢ charge if the cotton is concentrated. I do not think we have had a case where the cotton was not compressed. We did have one case with the Merchants Compress Company, and the man objected to paying the compression charge; we made some charge, but I have forgotten now what it was. We do not have very much cotton moving in after concentration that has previously been compressed to standard density. Most of it moves in flat, or will be compressed from standard to high density on

the orders of the shipper. If the cotton had been previously compressed to standard density, and a purchaser desires it shipped out without further compression to high density, we do not charge him the compression on it (R. 4189).

[fol. 914] WITNESS H. A. AHLERS

I am with Alexander Sprunt & Son, Houston, Texas. My Exhibit #A-211 shows the cost of compression and concentration service at the Ship Channel Compress Company. It is true and correct according to the best of my knowledge and belief (R. 4190). It was prepared along the same lines as the Exhibit A-210 by Mr. Blok. The figures shown in the first column under labor, represent the total labor cost for the year. The other figures are the figures set out for the respective accounts allocated according to the methods shown on the Exhibit. A good part of the cotton coming into our plant has been previously compressed to standard density, and may be recompressed to standard density. The principal reason for that is that cotton coming into a port compress compressed to standard density, contains a number of small holes which must be covered in order to make a merchantable looking package. The sample holes are usually responsible in the weight, especially when shipment is made to domestic mills, and this recompressing to standard density and placement of the patches over small holes is done to avoid or minimize the loss in weight, some of which is due to pilferage. An allowance is made for patches in selling to domestic mills. In the Carolina and New England Mill Rules, there is a tare allowance of 4.8% of the weight of the bale. That permits the inclusion of patches as a part of the allowance. We put approximately four to six pounds of patching on a bale of standard density compressed cotton (R. 4192). The bale is sold to the mills on the gross weight. A tare allowance is the amount of bagging and patching to cover the bale, which is 4.8% of the weight of the bale, or 24 pounds on a 500 lb. bale, but the seller gets a price for the entire gross weight of the bale, including bagging and ties on the cotton.

Cross-examination:

I do not know whether or not I am a Traffic Manager. I look over the Traffic Department in a sort (R. 4193) of a supervisory way. I have had some railroad experience at [fol. 915] Galveston with the Santa Fe, in the rate department, handling cotton concentration claims, about ten years ago. Most of the cotton we receive is already compressed, and I do not know the average number of bales loaded in a car. Some of it will be topped, not a lot of it. If it is topped, it would be necessary for us to have a sufficient number of men in the car to break the cotton down for the truckers. I do not know how many it will take (R. 4194). It would take more men and be more expensive to bring it down out of the car, unload the car, and truck it to the warehouse than it would to weigh it. It would take more labor. Usually the cost of weighing includes the weighers' salary, and you cannot compare that with the truckers, earning 30¢ an hour. I cannot tell what makes up the item of 3¢ per bale for receiving from the car, and the item of 5¢ per bale for weighing (R. 4195). I cannot tell why it ought to be more for weighing than for unloading the car. These costs are taken from the daily cost sheets which are required of our compress superintendent, and are the average costs for the services shown. It costs more than 3¢ per bale to store cotton. We do not block it in solid and stack it up on top of the bales. The cotton is received from the car, arranged, sampled, weighed and picked off the range and stored at 3¢. This service does not concentrate the service of topping and blocking away. That item is not on this particular exhibit. I never operated a compress. I have kept compress accounts to a small extent (R. 4197). I know nothing about the theory of accountancy as to the allocation of cost. In arriving at this particular arrangement for allocating costs, I have considered apart each and every method that may have been advanced, and I believe for practical purposes that this is the fairest method possible. I based that on my experience in the compress office (R. 4198).

Redirect examination:

Those items represent proportionate amount per bale as shown by the total expense of the item on our labor

books. The people I am representing here are in full accord with the views as expressed by Mr. W. L. Clayton, and we adopt his full testimony (R. 4199).

[fol. 916] WITNESS C. B. FOX

I am here to represent the following Steamship Lines: Texas Transport & Terminal Company of Houston; Lykes Brothers, Ripley Steamship Company of Houston and Galveston; Harrison Line, of Houston and Galveston, Leland's Line of Houston and Galveston; Wilkins & Biehl, or (R. 4200) Houston and Galveston; F. Sgitcovitch & Company, Houston and Galveston; United Gulf Steamship Company, Inc., of Houston and Galveston; Tampa Interocean Steamship Company of Houston and G[illegible]eston; Fowler & McVitie of Houston and Galveston; Blakely Smith & Company of Houston; Henry J. Schutte Shipping Company of Houston; S. J. Dougherty and Company of Houston; Strachan Shipping Company of Houston & Galveston, W. J. Binyon, Jr., of Houston. A meeting of these lines was held in Houston June 1st, and it was agreed that in the event any change was made in the present free time limit of ten days that the Steamship Agent would withdraw the agreement that they have signed with the railroad to absorb the demurrage. In addition to all of the Houston lines, named in this list, the lines from Galveston concurred, with the exception of one (R. 4201). That line is the Texas Transport and Terminal Company at Galveston. They were not asked about it.

The 200 foot limit under the rule operated by the Stevedores in loading cotton to the ship is figured from the hatch in which the cotton is intended to go. Speaking for our own Steamship Lines, we run to Liverpool, Manchester, Genoa, and Naples. Before the ship reaches there, we know daily how much cotton we have booked for both places and in what part of the ship it will be loaded, and we give the information to the wharf clerk who designates to the unloading contractor where the cotton shall be placed, and it is placed so as to avoid any excess trucking. When the cotton is trucked to a hatch from a distance beyond 200 feet, you pay 5¢ a bale penalty on it. That 200 feet is

measured by the road the cotton is trucked (R. 4202). It is the nearest route that can be used. If the cotton is placed more than 200 feet from the particular hatch, it is going into, the ship stands the extra expense. If the persons loading the cotton on the wharf should not put it on the [fol. 917] place we designate, and if it requires an extra haul, they would not pay that, except in the case of a private dock, and in that event, if they would not place it where we wanted it, we would bill them for it. We have done that, and they did pay us; There are very few of those docks in Houston where you can get over 200 feet back from the ship. We have never handled a single bale uncompressed out of Houston since I have been there (R. 4203). Our regular contract for shipping requires for high density 34 lbs. to the cubic foot, and for standard density *34 pounds to the cubic foot and for standard density* 22½ lbs. per cubic foot. It provides that if the ship has taken standard density at less than 22½ pounds it may send that cotton to the nearest bill of lading place to be compressed to the required density, and the charges attached against the shipper. There is another provision that you may accept it and bill your charges on the proportionate increase-amount of space that is occupied. We will handle any kind of cotton, but so far as I know there is no regular rate quoted for flat cotton. I have heard of one rate which was quoted to Hamburgh that was double the differential over high density, which would be 30¢ per 100 lbs. (R. 4204). I do not know of any shipments that have been made that way. Practically all of the same steamship lines serve both Houston and Galveston. If cotton is received on the wharf with sample holes open, we take an exception from the people delivering it to us. There is no reason for that, I suppose, except to protect ourselves in case anyone ever comes back on us. We do not put those exceptions on the ocean bill of lading. If there were any pilferage or loss in the cotton, we probably would interpose those exceptions. I do not see why the same rules should not be put into force as to shifting vessels at Galveston as are in force at Houston. The only difference (R. 4205) at Galveston is that there are no compress docks owned by private shippers. The Navigation Commission at Houston controls the allocation of vessels to the Weatherford Crump Docks, and the Weath-

erford Crump people have absolutely no control over that. Practically every commodity that is exported out of Houston moves out over the wharves 7 and 8 there (R. 4206).

[fol. 918] Cross-examination:

In the event our agreement with the carriers is cancelled on demurrage, the shipper would pay for the detention of cars on through bill of lading. It is agreeable with us to have the ten days cancelled if the responsibility for paying the demurrage is taken off of the steamship agent. We will tell the railroad we will not be responsible if it is changed (R. 4207). The railroads will not issue a through bill of lading unless the steamship agent signs the agreement covered by the tariff. On the through bill of lading you never know when the cotton is going to get to the port. You cannot control the arrival date of it, as you can cotton on local lading (R. 4208). The railroads refuse to sign the through bill of lading with us unless we agree to pay the demurrage. It is covered under the tariff. I do not know what the practice is at Galveston concerning trucking 200 feet from the hatch. We do not always get high density cotton compressed to 34 lbs. per cubic foot; there is some argument going on among the steamship agents about that. We accept cotton only at pier #8 at Weatherford Crump's warehouse (R. 4209). We probably have to truck that cotton through lateral trucking more than 200 feet, but it is probably the steamship's fault if we do. We never charge the shipper. We could hardly stop cotton right there and say it would be out of the limit unless we had it at the aft end of the ship and had to fill up this hatch and then had to move it to the forward end of the ship and finish it. We accept cotton at Alexander Sprunt & Son's wharf house to deliver aboard ship. If they did not put the cotton where we told them to, and if we had extra lateral trucking over 200 feet, we would bill him for it. If we were crowded, and had the cotton put at a point where we had to truck it over 200 feet, I would say that was the ship's fault. On the piers at Galveston, you can get a lot farther away from your ship than at Houston. They are wider. You can get 1,100 feet away from your hatch at Galveston (R. 4210). I do not know of any instances where the Galveston Agent has billed the shipper for extra trucking. I

am not familiar with whether they would or not. Exhibit #A-212 is a copy of the agreement that all steamship lines in Houston signed. The wire received from the Vice-President of the Maritime Committee, an organization composed entirely of Steamship Agents, reads as follows:

[fol. 919] "I. M. Griffin, Baker Hotel, Dallas, Texas:

Galveston Maritime Association and Galveston Steamship Agents have not authorized anyone to appear or testify or (R. 4211) represent them at Interstate Commerce Commission Hearing now being held in Dallas.

(Sd.) J. L. Beveridge, Vice-President Maritime Committee, Galveston Cotton Exchange Mart. H. Royston."

Redirect examination:

I have authority from all the Steamship Agents of Houston, and those named at Galveston also gave me authority to represent the Galveston Lines.

Recross-examination:

Mr. Hancock authorized me to represent the Galveston lines. I do not know whether or not he is a member of the Maritime Committee at Galveston. There is only one member of the firm that can belong to the Maritime Committee. His Steamship Company is a member (R. 4212). I understand that every Steamship Company at Galveston is a member of the Maritime Committee.

WITNESS B. N. GRAHAM

I live at Dallas, Texas, and am connected with the service department of the Continental Gin Company of Dallas. My duties in the service department are looking after kicks and complaints on gin machinery in general (R. 4213). My experience with unevenly ginned and pressed bales, which slows down compression by causing the bale to jump out of the compress, is that the rolling bale is produced by lack of adjustment of the speeding device which speeds the cotton into the press box. The press has automatic

trampers, and these may be so adjusted that they will not produce an evenly pressed bale (R. 4214). It requires no additional equipment, except a change in the speed of the speeding device, sometimes requiring a sprocket or a different size pulley. We have had very few complaints and the complaints we do have come from ginners. Our company undertakes to correct and readjust the gins when-
[fol. 920] ever it is called to our attention. It is my opinion that the other gin companies do the same thing. We all maintain service departments. I think the number of complaints have considerably decreased in the last year. This trouble can be practically eliminated (R. 4215). I would say that probably out of 500 or 600 trampers sold during the past year, we may have had 6 or 12 complaints, all coming from the ginners, probably not that many. I think the ginning machinery companies are attempting to co-operate with the compresses in eliminating this trouble as far as possible.

Cross-examination:

I do not know how many of them are operating the machinery without making complaints (R. 4216).

WITNESS J. V. SCOTT RECALLED

Exhibit #A-213 is a photograph of the Alabo Plant at New Orleans. The proposal to build an 800 foot extension to the Houston Compress Company's plant at Long Reach is for the purpose of handling general commodities, building a concrete dock and warehouse adjoining (R. 4217) for the purpose of handling general commodities. The track formerly designated as track #2 has been removed from the warehouse, and the situation is now as represented in Exhibit A-33. Track #1 will be used hence forth for the delivery of cotton to shipside. Track #2 is substantially where the former track #3 was and what was formerly track #2 has been taken up (R. 4218).

WITNESS D. SUMNERS

My residence is at Houston, Texas, and I am Auditor with the Anderson Clayton Company. My Exhibit #A-214

shows the cost of performing various services as allocated between the various services between the Long Reach Plant of the Houston Compress Company. The Exhibit has been prepared under my supervision and is true and correct to the best of my knowledge and belief (R. 4219). I have taken the cost of receiving cotton direct into the warehouse, and the cost of delivering the cars as 9¢ per bale [fol. 921] because there is no practical way of determining the exact figures for the Long Reach Plant, and because this is generally accepted by compress men, as far as I can learn, as the cost of these operations. Ten cents per bale is the usual tariff for loading cars in this operation, is sometimes considered the more expensive of the two (R. 4220). The direct labor cost involved in the 9¢ has been variously mentioned as 4½¢ to 5¾¢. Taking 5¢ as the basis and figuring the proportionate overhead, it produces about 9¢. The items distributed in my statement in proportion to the labor are about 80% of labor, which is 5¢ plus 80% making 9¢. The separation of the services into three general heading on sheet 4 is done on the basis set forth in the preceding sheets of the Exhibit. The first item appearing on the last sheet of the Exhibit is the cost arrived at by dividing the total compress cost by the number of bales compressed, which gives 35.09¢. In the next item is the division of the cost of receiving and delivering, which is included in the statement offered as operation #1. I have taken 9 cents as the cost of receiving cotton direct into the warehouse and of loading cotton to cars. I got the above figures from the records of the Houston Compress Company (R. 4221). The transportation chargeable to compressing and the transportation for delivery to shipside have been divided in proportion to the bales receiving that service; that is the basis of the totals appearing in the allocation on sheet #4. The next item shows the cost per bale of complete concentration service, assuming shipments made by rail. Into that enters the two 9¢ items again, making 18¢ for receiving and delivering, and the item of 27.07¢ is arrived at by dividing the total cost after concentration service, and it is called in my statement by the total number of bales received. That gives a total concentration service cost of 45.07¢ (R. 4222). I have had about 20 years experience in accounting work, with more or less

experience in cost accounting during the greater part of that time. During the first years I was with Anderson Clayton & Company, I did none of that, but later I did. I believe I am thoroughly familiar with the general theory of the principles of accounting. The compress industry performs two services to the same good. Both services together require more labor than would be required for either [fol. 922] alone, but not so much as would be required for both if performed separately. The same holds true for the cost of owning the facilities, though not necessarily in the same ratio. The problem may be approached by stating the theory that compressing for railroads should be charged the full cost which would be incurred if that operation were performed alone, and the saving made by performing both services at the same facility should all be for the benefit of the concentration service. This theory can only be justified when it may be assumed (1) that the services performed for the owner are incidental and of less importance that the services performed for the (R. 4224) railroads. (2) that no more facilities have been provided and would be necessary for compressing for railroads. (3) that the construction or installation of each new facility is determined solely by the need of facilities for compressing in transit in the most economical way.

If it can be established that the facilities are needed primarily for concentration, and that a great part of them are not needed for the most economical performance of compressing in transit, then the full cost of the concentration service when performed alone should be taken as the cost when performed at the same facility where the compressing is performed, and only the additional cost of the two operations above the cost of concentration alone should be charged to the compressing.

Since it appears in this case that the interior facilities are held to be necessary and important to the concentration service, as well as to the compressing service, it is my opinion as an accountant that all items of cost which are incurred for the benefit of both services should be divided between them according as each service makes the expense necessary. As to salaries of Superintendent and others whose duties are in connection with both services, the method followed in (R. 4225) Exhibit A-91 is inconsistent

with the method of dividing or allocating such labor as may be for the benefit of both operations. In the matter of clerical help, it would seem that the service of concentration should require a great deal more than the service of compression. I believe that would apply in connection [fol. 923] with compression in transit as versus concentration and also in connection with compressed versus concentration. I have not kept any accounts on compression in transit. I have had no actual experience with the interior compresses (R. 4227) compressing in transit.

Cross-examination:

The per bale basis should not necessarily be used for allocation. The basis used in allocating cost which cannot be charged directly to the operation should be on whatever basis gives the most accurate results. I have used a per bale basis at one place in Exhibit #A-214. That is where I divided the cost of receiving and delivering between the transportation chargeable to compressing and transportation chargeable to shipside delivery. I did not find any repairs to the buildings in the maintenance of the Houston Compress Company for this year. I allocated depreciation of the building on the basis of the value of the part of the building used in the respective operation (R. 4227). I divided the floor area by taking the dimensions of the plant; the area of the compress room and the area of the warehouse department (R. 4228). On that part of the Long Reach Plant which is used for the cotton department, that is for the compressing of cotton, 14.5% is used for compression, that is 14.5% of the total area upstairs and down stairs. I do not have the figures on the total area of the Long Reach Plant. I did not assign directly any part of the receiving platform to compression, only indirectly (R. 4229). The compress rooms and the boiler rooms, etc., right at the compress, take up 14.5%, not of the total Long Reach Plant, because the Long Reach Industries are for other things than cotton, but of that part which is allocated to the cotton department. In the classification of services in receiving cotton, I have all of the expense of receiving cotton, putting it in storage, taking out of storage and delivering it, and including the transportation by way of the compress. The usual route is for it to go

from the receiving platform to the compress and from the compress to the warehouse department. That includes whatever labor there is in putting it away. I am familiar in a general way with the methods used at the Long Reach Plant of storing by grade and staple (R. 4230). Receiving [fol. 924] includes bringing the cotton to the door of the compress just inside of the compress room, taking it from the compress room and storing it away (R. 4231). It is usually stored away all over the plant so as to have a quantity of bales of grade and staples together, usually in lots of 100 bales. The service of receiving includes the cost of performing that service. The cost of unloading it out of the car and laying it out to be sampled and putting a mark on it that would indicate the grade and staple, so that they can store it away by mark numbers, is taken care of in the third column on page 4, under the head of "Other concentration service." The item of $92,871.25 includes all the service of labor to concentration, except that part of concentration which is the receiving of the cotton and delivering of the cotton. That labor is carried in the first column on page 4 (R. 4234), under the heading of Receiving and Delivering. Receiving includes the labor of taking out of the car and trucking into the warehouse and putting the cotton down where it would rest (R. 4235). As far as I know, none of the cotton is stored away before it is compressed. When it is received, it is routed via the compress (R. 4236). The cost of taking it from the car to the compress is part of the 27.55¢. Then it has to move from the compress into the warehouse compartment and ultimately from the warehouse compartment to where it is being delivered. The 27.55¢ includes that part of the total cost of doing that, which I have allocated to the compressing operation. I have taken the total cost as determined in my statement of moving the cotton by way of the compress into the plant and I have divided it equally bale for bale between the compress and shipside delivery and arrived at the figure of 27.55¢ (R. 4237). In the general way I know something about the physical operation, but not enough to discuss the details of the various movement.

Redirect examination:

The cost of transporting the cotton from the compress to the warehouse is included in the 27.55¢ (R. 4241), a certain

part of it is. I have not considered that all of the movements from cars to the compress and into the store room is chargeable to compressing. I have not attempted to say what is the exact point at which the movement is for com- [fol. 925] pressing and the exact point at which the movement begins for delivery, except in this way: I have considered the total movement as being for the account of compressing, and for shipside delivery equally bale for bale (R. 4242). I am sure that at least one-half of the movement from the compress room to storage is included in the 27.55¢ charge to compress. The item of 27.55¢ for delivery to shipside includes a part of the movement from the compress to the warehouse and all of the movement from the warehouse to shipside. It would include a service analogous to the 9¢ service movement from a point in the warehouse to the car; the 9¢ represents the cost of delivery by one method, and (R. 4243) the 27.55¢ represents delivery by the other method.

Recross-examination:

No part of the fuel and boiler room expense is included in transportation. The item of $6,322.19 for compression is not included in the item of $192,910.00 of transportation expense for compression (R. 4244). No part of the repairs to compress is included in the item of $129,000.00. No part of the compensation and liability insurance of $3,199.00 is included in the $129,000.00. No part of the insurance and watch service is included. None of the other items are included (R. 4245). The total cost of compressing as performed at Long Beach is determined to be 62.64. I calculate it to be $165,460. The item of loading to cars of 9¢ a bale includes cost properly to be allocated to that movement of taking cotton out and loading it into the railroad cars. It means the trucking from some place in the warehouse to the car.

WITNESS F. R. DALZELL RECALLED

In regard to the testimony to the effect that Mr. Womack and Mr. Dorrance are interested in the new water front

plant at Houston, the facts are that Mr. Womack and Mr. [fol. 926] Dorrance are very heavily interested in the Shippers Compress and back of the water front facilities. Their interests in the new Manchester water front plant are very small, only such as any man prominent in his community finds it necessary to take as a matter of civic municipal pride. The firms of which Mr. Womack and Mr. Dorrance are a part will continue to do all of their business at the Ship Compress which is a back from the water front plant. Mr. Womack and Mr. Dorrance have not made nor attempted to influence the policy of the Houston Cotton Exchange in any way. That policy has been arrived at by open meeting of its members at which Mr. Griffin was present, stating his case, and the Exchange decided that they would take the position of the back from the water front man. Exhibit #A-215 shows the names of all of the compresses in Houston, showing whether they are water front or back from the water front plant, with a list of the names of the firms who are concentrated at each one of them (R. 4253). The growth of concentration in Houston is due to the fact that it became a seaport in 1920. The advantages of port concentration are most apparent in case of large organizations like the farm bureaus. The Texas Farm Bureau has been concentrating in Houston for a year or two, and last year they handled 285,000 bales of cotton. The Oklahoma Farm Bureau, which has been concentrating in Galveston, handled there last year about 300,000 bales. That concern is also coming to Houston hereafter and they expect to handle 300,000 or more bales of cotton. They are going into the new Manchester Plant, which will be on the channel (R. 4254). The Texas Farm Bureau is at the Houston Compress Company Fifth Ward Plant, back from the waterfront. The restoration of reciprocal switching in item 52 will not cure the trouble. Item 52, relating to the reciprocal switching arrangement at Houston, when it is restored, [fol. 927] will carry this wording: "Concentration Claims covering shipments handled in acordance with this item shall be filed with the lines performing inbound hauls to Houston." That arrangement is not practicable. It will call for 5 or 6 or 7 claims to be filed with 5 or 6 or 7 different railroads on a car going out with 100 bales which is split up among 5 or 6 or 7 inbound lines. We have to file

concentration claims today when we re-ship to Galveston. The difference is that you are going to make 5 or 6 or 7 different claims to get back $8.10. When you ship to Galveston you are going to get back a refund of 23¢. My objection is to filing the claim. I think the labor and expense of making this claim is more than a man gets back for it. It is unreasonable to require us to make concentration claims to get back $8.10. Its impracticability will result in our not getting it back. We will not in fact have a one rate plan, because we do not want to file the claim on account of its being impracticable. It would be absurd to send out $1.00 in order to get back 60¢ (R. 4257). It would be manifestly unfair for cotton originating upon the Missouri, Kansas & Texas 15 miles north of Dallas to be delivered to the Southern Pacific for line haul to its destination. The same rule is not reasonable at Houston as the revenue has been earned and only a switching service is left. In referring to the switching rate in my previous testimony, and stating that it is not remunerative, I did not intend to be understood as an expert on what it cost to do that, but rather in the sense that I have never heard of any railroad soliciting this switching (R. 4258) business from warehouses to ships, and therefore I assumed that it was not considered remunerative. The Houston Cotton Exchange has been working for something like three years to establish a cheap drayage in Houston. Every day we are getting closer to it. One requirement is the construction of a very expensive bridge [fol. 928] across the bayou immediately above the turning basin. That will enable the coupling of hard surface road on both sides of the basin. When those things are done it will be the purpose of the Houston Cotton Exchange to encourage some one to start something which might be termed an effort on the public carrier dray line; it is possible the Houston Cotton Exchange may do it, our purpose being to get the cheapest possible dray service in Houston (R. 4259).

I am without information as to what the one rate is to be from Oklahoma. If the purpose of the railroads to increase the present 80¢ rate in Texas to 83¢, and reduce the present shipside rate from 83½¢ to 83¢ is applied to the rates from Oklahoma, which are $1.01 for local delivery and $1.04 for shipside delivery, the results would be that the local delivery rate from Oklahoma will become $1.04 and the shipside rate

from Oklahoma would become $1.03½¢ making a lower rate for shipside delivery than for domestic delivery. If it is the intention merely to increase the $1.01 rate without any corresponding reduction in the shipside rate, that may make a very material difference in the net revenues that would result from the one rate plan (R. 4260).

During the present season, the firm represented by Mr. Griffin put as much as 10,000 bales of cotton on ports ship-in Houston, the total handled through the port at Houston being approximately 2,000,000 bales. I have no absolute source for that information (R. 4261). I get it only by observation. Mr. Griffin has failed to furnish the exact figures. If it is incorrect I will be glad to have Mr. Griffin put in the correct figures. In my opinion they have not put as much as 10,000 bales through Houston. I watch the movement of cotton through the port of Houston. I am in Houston all [fol. 929] the time, and come in contact with a great many people there and in a general way I know what is going on (R. 4263). I am Secretary of the Houston Maritime Committee. I do not have the right as such to examine the loading of the ships (R. 4264). I know in a general way the movement of the various members of the Houston Cotton Exchange through Houston. I consult with various members of the Houston Cotton Exchange from time to time as [fol. 930] to the handling of their cotton through the port of Houston. I know who are the larger operators of export cotton among our members, but that does not mean necessarily that I keep up with the members. I have no absolute personal knowledge of what Mr. Griffin's firm would actually book through the port of Houston (R. 4265). I would not know whether it was 7,000 or 9,000 bales, but if it was a couple of hundred thousand I would be pretty likely to know it. I would not know if it was 225,000 or 200,000.

In regard to Mr. Thornton's suggestion that the rates should be first made by inclusion of the wharfage charge as in effect at Galveston, and that rate be swung around to all ports, regardless of what the amount of wharfage might be at these other ports, I call attention to the fact that at Houston we have a barge line that makes delivery of cotton from water front plants to ships, the cotton being swung from the water side but not actually passing over the wharf. The wharf companies make a charge of 1¢ per 100

lbs. where they charge 2¢ for movement over the wharf. Under no circumstances would we want, even if the one rate plan should be adopted, to have a water front rate at Houston which was made up of the barge service, as high as the rail delivery rate, which is made of a 2¢ wharfage charge (R. 4266).

Mr. Reed's Exhibit #A-189 makes it perfectly clear that the carriers under the proposed 83¢ one rate plan will not make any net gain at that point. I believe the exhibit rather shows that as to Galveston the carriers will require more even than the present 83½¢ rate to keep their revenue intact. At Houston, on the contrary, there is a very large quantity of cotton going in now at 80¢. If the one rate plan should be adopted, it can only be because the Commission concludes that Mr. Thornton's allegations about there being no expense in delivering cotton from water front compresses to shipside are true. It naturally follows that they must refuse to consent to any allowance being made to those plants. Therefore, an increase over the present 80¢ rate to Houston on that larger proportion of cotton that goes into the water front plant would be a net gain. For [fol. 931] that reason, we think that in the event the one rate plan is ordered the figure at Houston should be considerably less than 83 cents (R. 4267). In any event, it should be lower than the new rate at Galveston, at which point there will be no net gain to the carriers from the 83 cent rate.

Mr. Griffin, Exhibit A-136, quoting testimony given by me in I. & S. 1641, shows that testimony in a form which is considerably garbled. It refers to a stock market, and I don't know anything about stock markets. There are unintelligible and meaningless sentences. I do not know whether the errors were made in the copies from the record or whether they were made by the reporter at the time the records were made. It is also incomplete in that there is no explanation here as to what was involved; the thing involved was the proposition on the part of the carriers to establish rates on through flat cotton from Louisiana points to Houston, which would be 18 cents per 100 pounds higher than the compressed in transit rules. A large majority of cotton from Louisiana coming into Houston would not pass a compress at all, and that particular point was regarding

this proposal to add 18 cents for passing the (R. 4268) compress as being an unreasonable imposition. The advice letter No. A-131 of the Houston Cotton Exchange Traffic Department, reproduced as Exhibit A-148, was simply a hasty resume of what appeared to be the probable effects of the first decision of the Interstate Commerce Commission in Docket 14940, and was distributed to the members for the purpose of provoking discussion and consideration of the matter with the idea that in that way we would best be able to get a proper conclusion as to what the course of the exchange should be.

Exhibit No. A-149 is a copy of my testimony in Docket 14346. In that case the carriers tried to set up a vast amount of indirect service which they were *were* forced to perform on cotton as a justification for the rates which we alleged were too high. The testimony that I gave, and which is reproduced in this exhibit, shows that we hold a large part of that indirect service was undertaken by the [fol. 932] carriers voluntarily and for that reason the indirect service allocation they made was not entitled to much consideration.

Exhibit No. A-167 is a copy of a letter which I wrote to the Railroad Commission of Texas on August 16th, 1920. At that time there were pending two proposals, one to increase the charge (R. 4269) for compressing from 15 cents to 20 cents, and another to increase the freight rate 35 per cent. The purpose of my letter was to ask the Texas Railroad Commission, if they decided to increase the rate 35 per cent, to make provision for a corresponding increase for the amount of compression that would be absorbed, so that we might not find ourselves in the position of having a freight rate increase of 35 per cent and in addition to that an additional 5 cent unabsorbed compressing to pay.

Exhibit A-150 is a copy of a brief on file by Oklahoma Cotton Growers Association and the Houston Cotton Exchange. The brief states: "We adopt the statements in the brief of the Missouri-Kansas-Texas Lines in pages 1 to 5 inclusive" (R. 4270). That brief is not attached so there is no statement. In 1910, as a result of certain changes in the long and short haul law it became necessary for the carrier to file blanket application for relief from Fourth Section violation. There were some applications filed to

continue rates on cotton from Oklahoma to Southeastern milling points via all routes that had been previously open, and that application remained pending until some time in the year 1924 or 1925, when the Interstate Commerce Commission finally called it up for hearing. It involved the closing of many routes, and the carriers at the first hearing, rather let the thing go by default, with the result that a tentative report was put out by the Interstate Commerce Commission by which it recommended the closing of all of those routes, leaving the rates applicable only by the short route, which I think was through Memphis. When that tentative report appeared, the Railroads and the shippers began to take notice. We held a meeting in Dallas, attended by Mr. Pointer and one or two others, of the Oklahoma State Cotton Exchange, representative of the Dallas Cotton Exchange, Galveston Cotton Exchange, and the Houston Cotton Exchange. We met with the Railroads and [fol. 933] it was decided that the Railroads would make an application for re-hearing of the case, and that the shippers' representatives also would make application separately for rehearing. Mr. Pointer (R. 4271), worked with us in getting up that application for rehearing. We got a rehearing and all the interested Railroads appeared at that time and asked for relief which would permit them to continue all of those routes. The shippers' representatives, Galveston, Dallas, and Houston, similarly appeared, asking for continuation of all the routes. At that time the Oklahoma Cotton Exchange reversed its position and stated that in their opinion the warehouse facilities in Oklahoma were sufficient and that there was no necessity for any route through Texas to the Southeast. We had been handling Oklahoma southeast cotton through Houston for a good many years, certainly more than 15, and the carriers in this state appeared before the Interstate Commerce Commission asking that those rates be continued in effect, and we saw no reason for opposing the wish of the carriers. On the contrary we had some reason for supporting the maintenance of all of these routes, and we did support the application.

The storage capacity of the Shippers Compress Company is 60,000 bales, and the track room is 80 cars (R. 4272). The storage capacity in Houston, including an estimate of 100,000 bales which is the New Manchester plant to be ready

by September 1st in round figures is one million bales, and these various plants have track room for 819 cars; that does not include the plant of the Southern Compress & Warehouse Company, which is Mr. Griffin's compress, and as to his figures I am not informed. The ship's berth space is, at the turning basin compress, which is really a municipal wharf, two berth spaces, at Long Reach, 4 berth spaces. At the new Manchester Terminal there will be three ready by September or October, and the City Service have berth spaces for 15 additional vessels (R. 4273). The Maritime Committee of the Houston Cotton Exchange does not keep any record of the shipments of various shippers [fol. 934] from the port. The statements I made concerning shipments was simply an expression of opinion without any absolute information.

Cross-examination:

I understand that at New Orleans there is no wharfage on cotton going over the Illinois Central dock, and only 75/100 of a cent per 100 pounds on cotton going over the City Front dock. You get from Shreveport to New Orleans on a freight rate. When you get to New Orleans, you are within 75/100 of a cent of shipside. In that case I do not think the rate to shipside should be any more than the Railroad freight rate plus the cost of getting to shipside. In the other cases, where the freight rate takes it to shipside on the Illinois Central, there should be nothing further added (R. 4275). I am not in favor of a lower rate from Shreveport to New Orelans than from Shreveport to Houston because of the lower wharfage at New Orleans than at Houston; if the Railroad Lines make a freight rate from Shreveport to New Orleans within 75/100 of a cent of shipside, then the shipside rate should not be any greater than that additional 75/100th of a cent to New Orleans. I would never be willing to pay a higher rate to shipside at Houston because of the difference in the wharfage at Houston versus New Orleans (R. 4277). My testimony has been throughout that the first decision was particularly harmful to the back from the waterfront man. I do not know whether the water front man has an advantageous location which should be recognized in the freight rate adjustment. I have not testified to that effect (R. 4278).

WITNESS E. H. LOCKENBERG RECALLED

Exhibit No. A-216 reflects the total and per bale cost of the public cotton warehouses of the Board of Commissioners of the Port of New Orleans to compress 425,905 bales of cotton for the period of 12 months, August 1st, 1924, to July 31st, 1925, of which 60,567 bales, or 14 per cent, were standard compressed and 365,339 bales, or 86 per cent were high density compressed. The labor expenditures of the [fol. 935] warehouse are allocated each day, in accordance with the various services that we perform, as shown in our tariff. As an illustration, the first item in our tariff is receiving against which we apply all items of cost for performing this service, the same being true of compressing and every other service which we perform.

The exhibit contains the same expense items as shown on page 1 of exhibit A-91 introduced by witness Brillhart, except the following:

1. Twine, under the heading of "Supplies."

2. Insurance on transit cotton.

3. Taxes, state, county, city, etc.

4. Trade dues, as shown in his item 14.

5. Extraordinary expenses, such as flood, fire, or unavoidable losses.

In explanation of these items, which are not included in exhibit I advise as follows:

1. Twine is included in our patch account, which accounts for same not being included in our cost of compressing.

2. We have had no occasion to compress transit cotton for account of the carriers, therefore, we have incurred no such expenses.

3. The public cotton warehouses are owned by the State of Louisiana and operated by the Board of Commissioners of the port of New Orleans, an agency of the state and, therefore, are not subject to assessment of any taxes whatsoever.

4. I made exception relative to the item of "Trade dues" for the reason that I know of no expenses so described in-

curred by the warehouse I represent. The Board of Commissions of Commissioners of the port of New Orleans contributes to the support of various commercial organizations, and these items of expenses are included in the general administration charge against the warehouse, a proportion of which administration charges I had included in the exhibit as properly chargeable to our compressing cost.

5. Under the item of "Extraordinary expenses," I know of no expenses incurred by the public cotton warehouse for the period covered by the exhibit.

[fol. 936] A daily distribution is made of all labor costs, allocating same to the various services we perform. The exhibit does not include any cost of unloading cotton from cars or reloading same into cars. These items of cost, however, are correspondingly offset, due to the fact that our cost of compressing includes the trucking of all cotton from any part of our plant to our compress room, the dis-ance to truck cotton, in many instances, being as much as 2,000 feet.

In figuring depreciation on these items we used 1 per cent on buildings and machinery and 10 per cent on equipment. Our buildings are reinforced concrete and the item of machinery represents our compresses, which are the high density type, and were purchased from the Webb Compress Company in 1917. I have refigured depreciation on basis of 2 per cent on buildings and 4 per cent on presses, which will increase cost per bale of compressing .015 per bale.

Of the 425,905 bales compressed by us 365,338 or 86 per cent, were compressed to high density. We estimate that we can compress about 15 per cent more cotton to standard compression in the same period of time that it requires us to compress to high density compressing. Using this as a basis, had the entire 425,905 bales been compressed to standard compression we would have effected a labor saving of .0220 per bale. The usual number of bands placed on standard compressed cotton is 7 bands, and on high density compressed cotton 9 bands. Using these figures as a basis, it required 3,712,011 bands to compress the 425,905 bales, or .0098 per band. Allowing for an excess of 2 bands on 365,338 bales compressed to high density compression, we used 730,676 bands in excess of our requirements for

standard compress cotton, and on basis of .0098 per band, this amounts to $7,180.62 and figured on basis of 425,905 bales, would have effected a saving in band making of .016 per bale.

The total cost per bale for compressing, as shown on his exhibit is .5046 per bale. If you will add to this amount the additional cost per bale of .0150, which is obtained by in-
[fol. 937] creasing the allowance for depreciation on buildings and machinery, it will show our cost of compressing to be .5196 per bale, and if you will deduct from this amount the saving in compress labor of .0220, which would have been effected had all bales been compressed to standard density, also the saving in band making of .016 per bale had all bales been compressed to standard density, it will show our compressing cost to be .4816 per bale instead of .5046 cents per bale, as shown in his exhibit. We figure the average cost of trucking cotton around our plant is about 8.75 cents. The total cost of 48.16 does not include the one element on transit cotton, for instance, of unloading from the cars and loading outbound in the cars.

I do not believe that any comparison would be fair unless we take into consideration the cost to the interior press of twine, which is an item of compress expense, and also the taxes and transit insurance, and also the volume of business, because that plays a very prominent part in the depreciation. I figure the cost of twine would be about 6 mills—about half a cent or 6 mills per bale, and the taxes would be about .6 cents per bale, and the transit insurance in the neighborhood of about 1 cent. We have a class A construction and that would be a half a cent per bale on the valuation of $100,000. Those amounts probably should be added to the figure I have given of 48.16 cents. That would be a total of 3.2 added to 48.16 cents, making 51.36 cents. I consider that the figures shown on exhibit A-216 with the additions and deductions I have made and shown all of the costs which could properly be charged to compression of cotton at our plant.

[fol. 938] Cross-examination:

The cost for trucking cotton from the point from where we commence to figure our cost of compression to the compress room is about 8.75 cents per bale. My Company

would compress cotton to standard density and load it back in the cars at 60¢ a bale; we have an item in our tariff that so provides. We are very seldom called upon to do it. We will restore the marks if they are off, but if there has to be a change in marks the Cotton Exchange would mark them. They would make a charge for that (R. 4286).

Witness S. E. Walker Recalled

The jumping of an unequally pressed bale of cotton out of the press when it is being compressed to standard density can be prevented to some extent by the cotton being set right in the press and by the tiers and bandshovers putting their feet in it and holding it straight as it goes up. There is some danger in that, but a man familiar with his work is not likely to get caught. He does not put his feet in the press; he puts it on the cotton (R. 4287). You cannot always detect a roller bale when it comes off of the tie press. We can sometimes, when it jumps to a certain extent in the tie press. I started to work for the McGregor Press 7 years ago, and I am 29 years old now (R. 4288).

Witness J. V. Scott Recalled

Cotton which has been concentrated in the interior, assembled in an even running lot and ready for export and shipped to our facility at Long Reach to be high density compressed only and moved to shipside would be unloaded on our receiving platform at the Long Reach Plant and trollied to the press room and pressed and trollied to the steamship berth. We would keep a record of such movement so that it could be determined how much of that character of movement we had as contrasted with other movement. We have had some of that business. The compress [fol. 939] knows nothing about the freight charges on that character of cotton (R. 4289). Our charge for that service would be 75¢. That would include the unloading of the car. That would be cotton that we handled for owners other than Anderson, Clayton & Company. It would not be a very

large proportion of the cotton that is loaded on vessels at our facilities. We can supply the number of bales (R. 4290). To the warehouse back of the tracks it would also be handled by trolley. We could load cotton out of the warehouse directly to Track No. 2 or Track No. 3, as designated on Exhibit A-233. The cars would be spotted near the cotton and the cotton would be trucked to the car and loaded from either warehouse. We hand-truck the cotton to the car, and we load from 75 to 100 bales in a car. We usually have that number of bales in one lot in one place in the warehouse under our method of storage. It would be the simple operation of moving to the nearest car point, practically.

Cross-examination:

We use our trolley system to some extent in loading cars (R. 4292). We can always find a car right beside the section of the warehouse where we have to load out, that is during the rush part of the cotton season. If it is not there, we can have the engine switch it there. We hand-truck a good deal of that. Hand-trucking it from the same section to the ship's berth right opposite that section would be a good deal longer haul, and you cannot put the ship opposite the cotton, whereas you can put the cars opposite the cotton (R. 4293).

By Mr. Reed:

Q. Tell me what the difference would be; say the same bale of cotton is sitting right in the center of section 3, and in one instance you want to go to this platform and load [fol. 940] it in the car and in the other instance you want to go to the berth and load it on a ship. What is the difference in the operation?

A. Well, here is the difference: In the first place, we could not store enough cotton in here to supply a ship.

Q. I am talking about one bale of cotton.

A. We do not handle it that way. If we had only one bale to move we would have to put it in the ship's berth at a place selected by the steamship clerk. It depends on which hatch it is going to. The only difference in handling the two operations if we were going to hand-truck it would be that the steamship clerk designates the berth to which we shall put it and we are not so restricted as to the car when

we load it in the car. We top some of the cotton in the car. I do not know about the cost on moving the bale to the ship's berth and on moving it out to the car (R. 4297).

[fol. 941] WITNESS J. T. STOCKTON, JR.

My exhibit No. A-217 takes certain lines of Railroad and shows the distances between compress points in certain portions of the cotton section, as reflected by the Compress maps introduced in this case known as Exhibit A-66. I have applied to those compress points the point of production that would be tributary to those points, as shown by the cotton production map. In preparing the exhibit, I used exhibit A-60 which is a map showing the rail lines, compress points, and the production for five years by specific counties in the states of Texas, Oklahoma, Arkansas and Louisiana. As to the selection of the Railroad, no particular line was selected. I can offer no explanation for picking these lines which I have shown in this exhibit other than they were the ones that first came to my mind. The second sheet, deals with the Ft. Worth and Denver City Railway. I picked an area on that Railroad where there were a number of compress points and substantial production of cotton. This is just an elaboration for a part of the territory and line covered by Mr. Moore's exhibit A-151. The distribution of counties was figured on the basis of the geographical location of the compress points in direct line of Railroad haul, that is, taking into consideration the smallest amount of back haul. This, however, is purely an estimate on my part and I cannot state that the amount shown as the approximate amount available in the territory contiguous to each compress point would be the exact number of bales that were compressed at the compress. Where there are two compress points 45 miles apart, and a station 20 miles from one and 25 miles from the other, I would assume that the cotton from that station would move to the 20 mile compress point instead of the 25 (R. 4299). I would make that assumption regardless of whether it was back haul or not. I have divided a certain county between two compresses in dividing the area. Some of these compress points are also served by other lines than the one I

have shown. I have not undertaken to make any segregation as to that, except that where the compress is located on two lines and I have selected those two lines, the com- [fol. 942] press point is shown in the exhibit as against both of the lines. On page 3, on the Missouri, Kansas & Texas of Texas, the area extending from Garland, 16 miles North of Dallas, to La Grange, which is 258 miles south of Garland, is a rich cotton producing area; those points are served by other railroads (R. 4300). In making the allocation, I have just allocated the territory and used for convenience the Missouri, Kansas, Texas Line to show the location of the compresses.

Cross-examination:

I did not give any consideration to the county through which a railroad is not operating in the compilation of this exhibit. In some instances, however, I have considered territory adjacent to the railroad with a possibility that some of the cotton might be hauled in by wagon to those compress points. At Vernon, Texas, shown on page 2, I did not take into consideration any part of Ford County, because I thought the cotton in this territory would have been handled by the compresses located at Quanah or Chillicothe. The same thing will apply all the way through the exhibit (R. 4301). The table of distances was taken from the official railroad guide.

Mr. Fullbright: Mr. Aston was asked the question at Houston by Mr. Reed if there had been any changes in the (R. 4302) plat of the Turning Basin Compress Company since the last hearing and he replied "No." He wants me to state that there had been an additional high density compress put in, which is shown in his exhibit, that was not there at the time of the former hearing. I am also authorized to state that Weatherford, Crump & Co. endorsed the position as taken by Mr. Clayton in this proceeding.

MR. J. K. MOORE RECALLED

I have examined Mr. Fullbright's exhibit A-206 (R. 4303). I was formerly employed in the accounting department of [fol. 943] the Corporation Commission of Oklahoma, en-

gaged in the preparation and analysis of statistics, and I think I am familiar with all of the various details of the Railway accounts of cost. Mr. Fulbright's exhibit A-206 was not made in accordance with the method of Witness Morrissey in Exhibit A-86 or exhibt A-87. In Exhibit No. A-206, if you will take the distance from the compress point in Example No. 1, 411 miles, and multiply that by the excess gross ton miles, represented in the 12 additional cars required to transport the cotton to the port, you will have the excess cost represented in the additional gross ton miles. My Exhibit No. 218, concerning this cost study, was prepared by me and is true and correct to the best of my knowledge and belief (R. 4305). I have analyzed Mr. Fulbright's exhibit No. A-206 and find a number of fatal errors. First, no charge is made for the expense of returning the excess empty cars from the port. In computing the expense, Mr. Fulbright has applied the expense per gross ton mile for both loaded and empty cars to the loaded car movement. Assume that the Texas & Pacific had three billion gross ton miles with an expense of nine million dollars, or $3.00 per 1,000 gross ton miles. Assume that one billion of this three billion gross ton miles was represented in empty cars, leaving two billion gross ton miles for the loaded car miles. We would have the same expense to be divided by only two billion gross ton miles instead of three, and the expense of one thousand gross ton miles of loaded cars would be $4.50, and if no account is to be taken of the empty return movement, the expense of $4.50 should be used instead of $3.00. This would not be entirely proper, for the per cent of empty return movement from the port is greater than the average for all traffic. Therefore, it would be more proper to make allowance for the empty return movement on 75 per cent. of the excess loaded cars. On exhibit No. 218, in the first example on 1, I have worked out the saving per bale for distances 175 miles, and each additional 50 miles to 625 miles, and have also shown the saving for 1,250 miles (R. 4306). I have used 540 bales, 20 cars for the flat movement, [fol. 944] and 8 cars for the compressed movement, making an excess of 12 cars. I have added 75 per cent tare weight of the 12 cars, which would be eq-ivalent to nine cars, or making a tot-l of 21 cars, which would weight, tare, 420 tons, which is shown in the first column in each calculation.

Mr. Fulbright assumes that there would be the same cost per gross ton mile for handling cotton as for the average of all commodities. This assumption ignores the difference in length of haul for the various commodities. He also assumes the same cost per gross ton mile for a short haul as for a long haul. It is an almost universal principle that as the length of the haul increases, the cost per unit of transportation, either net ton mile or gross ton mile, will decrease. That has been entirely ignored by Mr. Fulbright, and, of course, I have also ignored that in all of my computation here. He also ignores the fact that many commodities move very largely over main line in thru train while cotton moves from every local station in the territory on both branch and main line. Mr. Fulbright omits taxes altogether (R. 4307). If all the Southwestern cotton moved flat from point of origin to destination, a vast additional number of cars would be required, additional platforms would be necessary, additional passing tracks would have to be built, and on some of the roads a considerable double trackage would be required, or a very much heavier expense per gross ton mile would be required to handle the cotton movement. All of these things should be carefully considered. Mr. Fulbright assumes in the use of his five examples that average movement of cotton in the areas here involved from point of origin to final destination is only 311 miles, a very violent assumption. He assumes the average distance from point of origin to compress point is 51 miles, another violent assumption in view of our exhibit No. A-151. Exhibit A-151 shows the average distance between compresses to be 57 miles. He therefore assumes that on an average cotton originates only six miles from the more distant point and moves (R. 4308) 51 miles to the next compress for compression. In computing the saving in expense on [fol. 945] the gross ton mile basis, loaded car basis, or loaded and empty car basis, it is not necessary to make a complicated computation. On my exhibit A-218, I have simply used the excess gross ton miles represented in the movement of the flat cotton over compressed cotton in Example No. 1. On this basis, it is not necessary to compute the distance into compress point as the same number of cars would be necessary up to compress point whether com-

pressed or moved flat to final destination. In basis No. 2 on sheet No. 1, of Exhibit No. 218, I have computed the saving on the basis of the expense per loaded car mile, using only the 12 excess loaded cars and omitting any expense for the empty return movement. A very different result is secured. There are many items of operating expense which are not affected by gross ton miles. Maintenance of cars would be more affected by the car miles than gross ton miles. This is true as to repairs and depreciation of locomotive, and in fact practically every item of expense for maintenance of equipment. Many items of transportation expenses are not affected by gross ton miles, but more by car miles.

The computation on the basis of expense per loaded car mile assumes the same cost per car mile of cotton as all other commodities, and I do not contend that it reflects the actual additional expense of moving flat cotton. Neither does the gross ton mile basis, and neither does the use of expense per loaded and empty car mile basis. These bases do reflect the apparent approximate additional expense, but consideration should be given to many other factors, such as the saving to the carriers on account of compresses loading City cotton and furnishing facilities for the receipt and handling of such cotton. The vast expenditures for additional facilities and equipment which would be required to handle cotton flat should also receive careful consideration. On Exhibit No. A-218, example No. 3, I have made a computation on the basis of the excess weight of the 12 loaded cars to the port, that is, the tare weight, and have added thereto 75 per cent. of the excess cars, making a total of 21 cars for the distances and have applied thereto the [fol. 946] average freight operating expense per loaded and empty car mile in the Western district for the year 1924. On Example No. 2, I have used the average freight expense per loaded car mile in the Western district for the year 1924. I had to do that because there were no other figures available on which this computation could be made. It is my opinion, based on long experience in analyzing figures in the Western district and Southwestern region, and for the various Southwestern states, that the expense so shown for the Western district is somewhat lower than the expense which would be incurred by the lines in the cotton producing

territory here involved. I have set out here the saving based on 1,250 miles under example No. 1, $3.45. That shows the effect of using the same gross ton mile expense for the longer hauls. Just as this expense for the longer hauls is apparently too high, so is the expense for the shorter hauls too low, because you are applying an average cost per gross ton mile to your shorter and to your longer haul. In Example No. 2, the saving amounts to $5.25 per bale. We know that to move this cotton flat would require this additional number of loaded car miles. We do not contend that this reflects all of the expense. It does not, and it does not take into consideration all of these other conditions. Mr. Fulbright ignores the fact that the carriers' records show that 700,000 odd bales of this cotton from Texas moved beyond Houston to the Southeast and New England, to the extent that he shows an average movement of 311 miles on the five examples. This cotton originates down here and is compressed in transit. Lots of that cotton moves to New England, 1,800 miles from Texas and Oklahoma. It moves to New England by water and rail via the New England ports (R. 4312).

[fol. 947] Cross-examination:

In the latter case, the gross ton miles via the water and rail route, the Morgan line, should be given consideration. I did not attempt to make any such computation.

Examiner Money: At what points should cotton move flat?

Mr. Fulbright: Cotton should move flat unless the saving is as great as the cost of compression. According to the first example on Exhibit A-218 that would be about 325 miles.

These examples do not include per diem for the cars while in use, except that the maintenance of cars is in-
[fol. 948] cluded in the operating expenses. You would have a great many additional cars if you had to keep this cotton moving flat. In the Fall season, when cotton is moving, is when the cars are most valuable to the carriers. I have known times when cars have been worth $25.00 a day to a given carrier. That was in 1906, I believe (R. 4314). At competing points, if a shipment were offered that pro-

duced $400.00 revenue, and a carrier did not have a car to furnish for it, I think that the carrier would lose $25.00 of that revenue on that shipment. In the first example, I took the 420 excess gross tons and multiplied by the distance to get the excess gross ton mile. I do not repudiate my testimony on direct examination that the gross ton mile method is about the most accurate method to determine the cost. I think it was not accurate, that there were a lot of conditions that it did not take into consideration. I also say that that condition exists in your expense per loaded car mile (R. 4315) and your expense per loaded and net car mile. The gross ton mile theory, based on all operations, would include a pro rata of the expense assignable to this traffic, as well as omit certain features upon which there is a heavier expense than on this traffic. The average loading of revenue freight in this Western district is approximately 21 tons per car. If you reduce that average loading to six tons over night, you are going to have a greater cost in performing that service (R. 4316). I do not know *know* how many additional facilities have been required under the provisions of the Texas tariffs, under which cotton may move flat from Texas points to Houston and Galveston. I could not say whether or not the operation of that tariff for years in Texas operated to hinder the development and construction of compresses to compress cotton. I am not familiar with the compress business or the marketing of cotton, or the conditions which brought about the building up of these compresses in Texas and the providing of facilities at interior points for cotton. The cost of operation based on loaded car miles and based on loaded and empty car miles was, two or three years ago, somewhat higher in the Southwest than it was for the Western [fol. 949] district. I believe that is still true. I do not have any figures to show to what extent that is true (R. 4317). The question whether I think there should therefore be a higher rate level in the Southwest ignores the lower cost of construction and a good many other factors that would enter into the total net and the base rate of the base for income. In connection with the use of the road shown on Mr. Fulbright's Exhibit No. A-206, there are a number of other roads in this territory which handle a sub-

stantial volume of cotton, such as the Orient and Ft. Smith and Western, the Kansas, Oklahoma & Gulf, and the Texas Midland, which have a very materially higher cost per gross ton mile than the road here shown. I think the Orient originates quite a bit of cotton. It operates through cotton territory for approximately 250 or 300 miles of its length. Altus, on the Orient, is one of the largest shipping points in the territory (R. 4318). I do not consider the Orient a proper example to use; no more than I would consider the Gulf, Colorado & Santa Fe. They are two extremes. 80,000 bales originated on the Orient in 1924 probably would not make any substantial difference, considering the five million bales handled by all lines. Neither would the 48,000 bales originated on the Kansas, Oklahoma & Gulf, but that overlooks the fact that the total of all of their traffic has been thrown in. The total of all of their traffic would be as much as one per cent of the Southern Pacific Line's traffic in Louisiana (R. 4319).

[fol. 950] IN UNITED STATES DISTRICT COURT

In Equity. No. 310

ALEXANDER SPRUNT & SON, INC., et al., Plaintiffs,

vs.

UNITED STATES OF AMERICA and INTERSTATE COMMERCE COMMISSION, Defendants

STIPULATION RE STATEMENT OF EVIDENCE

It is hereby stipulated by the parties, including the intervenors, acting by their respective counsel, for the purpose of settling the record for the appeal to the Supreme Court of the United States, that:

1. The within and foregoing statement of evidence is a true and correct transcript of the stipulations and statements of counsel made, and the affidavits and exhibits introduced at the trial of said case, and contains a correct transcript in narrative form of all the oral testimony of the witnesses introduced at hearings before the Interstate

Commerce Commission in the proceedings styled Weatherford, Crump & Company, Complainants, versus Abilene & Southern Railway Company, et al., Defendants, Docket No. 13991, and Application of Rates on Cotton to Gulf Ports, Docket No. 14940, as the same is contained in the official typewritten transcript thereof on file with the Commission, a copy of which, duly certified by the Commission, was offered in evidence by the plaintiffs in the District Court in the above entitled case, which, with the exhibits referred to therein and the verified bill of complaint with Exhibits A, B, C, D, and E thereto and Exhibits 1 to 17 offered before the District Court, was all the evidence offered by any of the parties on said trial in the District Court.

2. The said narrative of the oral testimony shall be sub-
[fol. 951] stituted for the original testimony of the witnesses so certified by the Interstate Commerce Commission offered in evidence as aforesaid and shall have the same force and effect on appeal as the original testimony.

3. The exhibits contained in the transcript so certified by the Commission together with exhibits filed before the District Court shall stand as original exhibits and shall be transmitted on appeal instead of transcripts thereof; and the original of said statement of evidence together with this stipulation and the order of the Court pursuant hereto shall be likewise so transmitted.

R. C. Fulbright, Counsel for Appellants. Elmer B. Collins, Special Asst. to the Attorney General, for the United States of America; J. Stanley Payne, Solicitor for Interstate Commerce Commission; A. L. Reed, Counsel for Arkansas Cotton Trade Ass'n et al.; C. B. Cochran, Counsel for Oklahoma State Cotton Exchange, Counsel for Intervenors, Appellees.

[fol. 952] IN UNITED STATES DISTRICT COURT

[Title omitted]

ORDER APPROVING STATEMENT OF EVIDENCE

On the written stipulation of the parties it is ordered that—

1. The within and foregoing statement of evidence in narrative form shall be, and the same is hereby, approved.

2. All exhibits in their original form as they are included in the transcript of testimony before the Interstate Commerce Commission in its Docket Nos. 13991 and 14940, certified by the Commission and offered in evidence herein, and the statement of evidence in narartive form together with the Exhibits filed at the hearing in this court, shall be incorporated in the record. They contain all the evidence submitted to this court on the hearing of this cause, and shall be transmitted by the Clerk of the District Court to the Supreme Court of the United States in lieu of the certified copy of the record of the evidence in the proceeding before the Commission.

J. V. Hutchins, Jr.

[fol. 953] Clerk's certificate to foregoing transcript omitted in printing.

[Endorsed:] United States District Court, Southern District of Texas, Houston Division. Alexander Sprunt & Son, Inc., et al. vs. United States of America et al. Certificate as to Original narrative of proceedings, Vols. 1 and 2.

[fol. 954] In Supreme Court of the United States

Dated Dec. 17, 1928.

[fol. 954] In Supreme Court of the United States

Statement of Points Relied Upon by Appellants in This Appeal Attacking the Legality of the Order of the Interstate Commerce Commission Entered April 4, 1928, in the Proceedings Entitled "Application of Rates on Cotton to Gulf Ports," Docket No. 14940, and "Weatherford, Crump & Company vs. Abilene Southern Railway Company et al.," Docket No. 13991 (100 I. C. C. Reports 169, 123 I. C. C. Reports 685), and on Appeal from the Action of the Court in Refusing to Enjoin Such Order—Filed Jan. 15, 1929

1. The order of the Commssion is void because the Commission had no authority to order the carriers to increase the rates on cotton applicable to shipments of appellants,

in a proceeding where the Commission found and ruled that the measure or reasonableness of the rates was not in issue, nor without a full hearing being afforded appellants upon the reasonableness of such rates, nor without substantial evidence to justify such order, particularly in view of the fact that the Commission had previously found such rates to be the maximum reasonable rates.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 1, 9, 10, 11, 12, 13 and 14 filed in the record herein.)

2. The order of the Commission is void because it undertakes to equalize commercial conditions as between the locations of warehouses of different merchants and shippers [fol. 955] using same, and to regulate commercial conditions and economic advantages by rate adjustments, thereby depriving appellants of the benefit of their natural location and advantages and of their property,

(Under the foregoing proposition reference is made to Assignments of Error Nos. 3, 38, 41, 42, 44 and 47 filed in the record herein.)

3. The order is void because there is no substantial evidence to support the finding of unjust discrimination between appellants and uptown and interior warehouses and shippers owning and using them upon which the order is based.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 2, 15, 16, 17, 31, 34, 36, 37, 40, 43, 46 and 48 filed in the record herein.)

4. The order of the Commission is void because it is based upon a finding of unjust discrimination between uptown warehouses and the so-called waterfront warehouses and the shippers owning or using such facilities at the respective destinations, whereas, exactly the same rates applied to both classes with substantially the same service, and there could therefore be no unjust discrimination.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 2, 43 and 46 filed in the record herein.)

5. The order of the Commission is void in finding unjust discrimination between the local domestic rates and the

export shipside rates to the respective ports and as between the shipers using such rates, for the reason that the two bases of rates were available to all alike and used by complaining shippers as well as appellants, one applying [fol. 956] on export or foreign commerce and the other upon local or domestic commerce, and there could therefore be no unjust discrimination.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 15, 16 and 17 filed in the record herein.)

6. The order of the Commission is void because the Commission has no power to prescribe a specific rate to remove discrimination, except in cases where the measure of the rate is in issue or where there are shown to be competitive conditions existing between carriers justifying the use of the minimum rate-making power, and none of such matters were in issue in this proceeding.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 51 and 52 filed in the record herein.)

7. The order of the Commission is void in that it prohibits reasonable allowance to appellants for services performed in transporting cotton from warehouses to shipside, which services are shown by the undisputed evidence to be a substitute for transportation which the carriers hold themselves out to perform.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 22 and 32 filed in the record herein.)

8. The order of the Commission is void in that it requires the establishment of rates and practices which result in unjust discrimination and undue prejudice to appellants and undue preference to uptown and interior warehouses and shippers using the same.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 23, 24, 25, 29, 30, 39, and also No. 4 filed in the record herein.)

[fol. 957] 9. The Court erred in holding that the only question for consideration was the rate established without

regard to the transit privileges or allowances embraced in the findings and order of the Commission fixing the rates.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 6, 26, 27, 28, 45 and 53 filed in the record herein.)

10. The Court erred in failing to find that the commission erred in holding that the transportation of cotton from warehouses used by appellants to ships berth upon adjacent or nearby wharves constituted intra-plant service and that no allowance could lawfully be made by carriers for any part of such transportation service.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 4 and 33 filed in the record herein.)

11. The Court erred in holding the order of the Commission prohibiting allowances to appellants in lieu of transportation to and upon near and adjacent wharves was merely a negative order and furnished no ground for injunctive relief.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 5 and 20 filed in the record herein.)

12. The order of the Commission is void because the Commission had no lawful power to compel the carriers to render without extra charge the additional services involved in transporting export shipments of cotton under export bills of lading as contrasted with local shipments for local delivery at the ports.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 48, 49 and 50 filed in the record herein.)

[fol. 958] 13. The Court erred in holding that the term "just and reasonable," when applied to action under Section 3 of the Interstate Commerce Act, was different in meaning from the same expression when used in connection with action under Section 1, and that is was only necessary to find that a rate would be just and reasonable to remove discrimination under Section 3 without reference to Section 1 or other sections of the Act.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 7 and 8 filed in the record herein.)

14. The order of the Commission is void in that it is based upon the finding, contrary to and unsupported by the evidence, that the warehouses used by appellants are on the waterfront and that delivery to such warehouses was substantially equivalent to making delivery of the same at shipside.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 31, 34, 36 and 37 filed in the record herein.)

15. The Court erred in holding that because appellants participated in a proceeding before the Commission where it was stated that one of its purposes was to arrive at a rate which would remove the discrimination, they were therefore limited to remedies which might be available under later proceedings which they might see fit to institute before the Commission.

(Under the foregoing proposition reference is made to Assignment of Error No. 18 filed in the record herein.)

16. The Court erred in holding that all appellants were bound by the findings and order of the Commission for the reason that they have had a hearing upon the question of [fols. 959 & 960] arriving at a rate to remove the discrimination, whereas, the undisputed evidence shows that appellant Manchester Terminal Corporation did not participate in the hearings and was denied a hearing by the Commission.

(Under the foregoing proposition reference is made to Assignment of Error No. 19 filed in the record herein.)

17. The decree should be reversed and the cause remanded to the District Court with directions to enjoin the order of the Commission.

(Under the foregoing proposition reference is made to Assignments of Error Nos. 54, 56 and 57 filed in the record herein.)

R. C. Fulbright, for Appellants.

Service of a copy of the foregoing statement of points is hereby acknowledged this 15th day of January, A. D. 1929.

Elmer B. Collins, Special Assistant to the Attorney General, for the United States. J. Stanley Payne, Assistant Chief Counsel, for Interstate Commerce Commission.

[fol. 961] IN SUPREME COURT OF THE UNITED STATES

STIPULATION AS TO PRINTING RECORD AND EXHIBITS—Filed Jan. 15, 1929

It is hereby stipulated and agreed by and between the parties hereto that the entire record now on file (subject to such omissions as the Clerk shall make pursuant to paragraph 9 of Rule 13) shall be printed for the hearing of the foregoing appeal and the consideration of the points filed except that such parts as are designated below shall not be printed or otherwise reproduced by the Clerk, that is to say:

Exhibits Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, and 16 before the District Court, which were transmitted as original exhibits pursuant to the stipulation of the parties and the order of the District Court;

The following exhibits, which were attached to and made a part of the certified copy of the transcript of testimony introduced at hearings before the Interstate Commerce Commission in the proceedings styled Weatherford Crump & Company, Complainants, versus Abilene & Southern Railway Company et al., Defendants, Docket No. 13991, and Application of Rates on Cotton to Gulf Ports, Docket No. 14940, and transmitted on appeal by the Clerk of the District Court of the United States for the Southern District of Texas, Houston Division, as original exhibits pursuant to the stipulation of the parties and the order of said District Court:

Docket 13991	Docket 14940
1	A-6
2	A-7
3	A-19
4	A-11
5	A-12
6	
8	
9	

[fol. 962]

Docket No. 14940 Continued

A 14	A 82	A 155
15	83	157
16	84	158
17	89	159
18	90	160
19	91	161
20	92	162
21	93	163
22	94	164
23	95	165
24	96	166
25	97	167
26	98	168
29	99	169
30	100	170
31	101	171
32	102	172
33	103	173
34	108	175
36	109	176
39	110	177
40	111	178
41	112	179
43	113	180
44	114	181
45	115	182
46	116	183
47	117	184
48	121	185

49	123		188	
50	125		195	
51	126		197	
52	127		199	
53	128		203	
54	129		205	
55	131		206	excepting first
56	132			page.
57	137		207	
58	139	excepting first page.	208	
59	140	excepting first page.	209	
60	141		210	
61	142		211	
62	143		212	
63	144		213	
64	145		214	
65	146		215	
66	147		216	
67	148	excepting note	217	
68		at top of sec-	218	
69	149	ond page.		
70	150			
71	151			
76	152	e x c e p t i n g		
77		pages 3, 4, 6, 7,		
		8, 9, 10, 11, 13,		
79				
80	153	15, 16, 19, 20,		
81	154	21, 23, 24.		

[fol. 963] Of the exhibits so omitted from printing Counsel for the Appellants shall before the cause comes up for argument in the Supreme Court furnish to the Clerk ten (10) copies of the following exhibits which shall be bound in ten (10) binders, one of each of said exhibits for submission to the Judges, to wit:

Docket 13991

1
2
3
4
5
6

Docket 14940

A 6	A 47	A 81	A 149	A 176
7	58	82	150	177
9	59	83	151	178
11	60	84	153	179
12	62	97	154	180
14	63	98	155	181
18	64	113	157	182
19	65	114	158	183
20	66	115		184
30	67	117	159	185
33	68	121	160	
34	69	123	168	197
39	70	125	169	199
41	71	126	170	203
43	76	128	171	212
44	77	129	172	213
45	79	131	173	214
46	80	137	175	215
				218

It is further stipulated and agreed that counsel for any of the parties may in his brief or argument refer to any exhibit or portion thereof before the Commission or before the District Court that is not printed or not included in the list of those of which ten (10) copies shall be provided for the use of the Judges, by copying in his brief the part thereof which he considers pertinent.

[fols. 964 & 965] It is further agreed that this stipulation be printed by the Clerk as part of the record of appeal.

R. C. Fulbright, Counsel for Appellants. Elmer B. Collins, Special Assistant to the Attorney General of the United States of America; J. Stanley Payne, Solicitor for Interstate Commerce Commission; A. L. Reed, C. B. Cochran, Counsel for Intervenors, Appellees.

[fol. 966] DISTRICT OF COLUMBIA:

Before me, the undersigned authority, on this day personally appeared R. C. Fulbright, who having been duly sworn says that he is counsel for the appellants in the case of Alexander Sprunt & Son, Inc., et al., appellants, v. United States of America, et al., appellees, No. 612 on the Docket of the Supreme Court; that he has served upon counsel for all parties to the cause copies of the statement of points upon which appellants rely, either by delivery of copies to them or by mailing copies thereof to each of them on January 12, A. D. 1929; and that he has served upon counsel for all parties to the cause copies of the stipulation designating the parts of the record necessary for the consideration of the points relied upon, either by delivery or copies to them personally or by mailing copies thereof to them on January 9, A. D. 1929, in time to reach them on this 15th day of January, A. D. 1929.

R. C. Fulbright.

Subscribed and sworn to before me this 15th day of January, A. D. 1929. Beatrice E. Whitelaw, Notary Public, D. C. (Seal Beatrice E. Whitelaw, Notary Public, District of Columbia.)

[fol. 967] [File endorsement omitted.]

Endorsed on cover: File No. 33,921. S. Texas D. C. U. S. Term No. 612. Alexander Sprunt & Son, Inc.; Anderson, Clayton & Co.; Houston Compress Company, et al., appellants, vs. The United States of America, Interstate Commerce Commission, Arkansas Cotton Trade Association, et al. Filed December 31st, 1928. File No. 33,921.